PARIS, MONDAY, JANUARY 11, 1988

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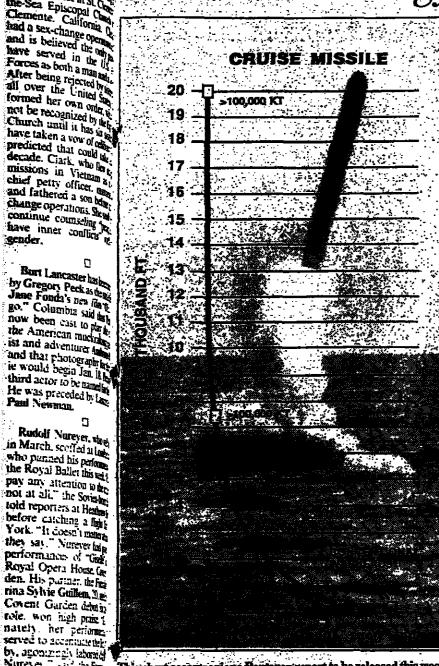
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New Missile Strategy Urged



This chart accompanies a Pentagon report to be released this week that says missiles now can use small warheads with greater accuracy. One official said the ability to use less explosive power was the most important military development since World War II.

U.S. to Build Spy Plane That Radar Can't Spot

New York Times Service WASHINGTON — The U.S. Air Force is secretly developing a long-range reconnaissance aircraft that will incorporate technology intended to permit the plane to evade

Kiosk

Thatcher Aide Leaves Cabinet

LONDON (Renters) - Britain's deputy prime minister, Lord Whitelaw, one of Prime Minister Margaret Thatcher's after suffering a slight stroke

last month.

Lord Whitelaw, 69, said it would be unwise "to undergo infuture the stress inseparable from senior ministerial office." His position as Conservative Party leader in the House of Lords was filled by his deputy, Lord Belstead.

MONDAY O&A

Elie Wiesel, 1986 winner of the Nobel Peace Prize, is in Paris for a conference of Nobel laureates. Page 2.

General News Alexander Dubcek sees a connection between the "Prague Spring" and the Gorbachev re-

a rumor that Manuel Noriega had fled Panama. Page 3.

Business/Finance

World demand for oil is rising faster than previously expected, the International Energy Agen-cy said. Page 11.

Special Report

In 3d World By Joseph Fitchett

U.S. Panel

Sees Risks

WASHINGTON - Highly accurate nuclear and conventional missiles have reduced the possibility of an all-out Soviet assault in Western Europe but increased the risk of limited nuclear strikes, possibly involving the superpowers in Third World conflicts, according to

a Pentagon report. To maintain stability, the report says, the West should concentrate on high-technology weapons capable of delivering surgical nuclear strikes and move away from weapons that threaten nuclear Armageddon and thus undermine sunport for nuclear deterrence in the United States and among its allies.

Entitled "Discriminate Deterrence," reflecting its emphasis on greater flexibility in U.S. military weapons and tactics, the report was 13 prominent defense specialists.

They included Henry A. Kissinger, the former U.S. secretary of state, and Zhigniew Brzezinski, President Jimmy Carter's national security adviser. Based on the work of four study teams and costing \$1.6 million, the report is intended to provide a long-term U.S. strate-

To be presented Tuesday to President Ronald Reagan, the report's impact on U.S. policy will depend largely on whether it influ-ences the U.S. administration that takes shape after presidential elections in November, according to Fred C. Iklé, the under-secretary of conservative U.S. strategic ana-

opment since World War II, according to Mr. Iklé. "The 30-year Street," he said, "would leave only cumulative impact than the initial qualitative leap from conventional explosives to the A-bomb," he said instability."

As missiles have become more accurate, smaller warheads — such

The trend toward smaller war-See REPORT, Page 5

Redskins Beat Bears in NFL

Calvin Thomas sidestepped into the end zone Sunday to score a touchdown for Chicago, but the Bears lost to the Washington Redskins, 21-17, in the National Football League playoffs. On Saturday, the Minnesota Vikings pulled off their second upset of the playoffs, trouncing the beavily favored San Francisco 49ers, 36-24, to gain the National Conference title game, where they will play the Redskins. In the American Conference, the Cleveland Browns easily beat the Indianapolis Colts, 38-21. Stories, Page 15.

Markets Jittery After Stocks' Latest Fall

PARIS - Financial markets, barely recovered from last October's turmoil, appeared headed for a new wave of unrest this week defense for policy. He cochaired after the renewed plunge late Fri-the report with Albert Wohlstetter, day of stock and bond prices in New York.

st. "The real question," a London Improving U.S. and Soviet abili- banker said, "is not what Tokyo ty to knock out military installa-tions with long-range, small-war-head nuclear weapons adds up to the most important military devel-

revolution in accuracies has more Tokyo down for the day, whereas a continued decline in New York On Friday, the Dow Jones aver-

age of 30 industrial shares, the leading barometer of performance 10 percent between mid-October on the New York Stock Exchange, and Dec. 23, when the United plummeted 140.58 points, or 6.85 the index's third largest fall.

don, said it would be wrong to expect a replay of the ricocheting

NEWS ANALYSIS

Wall Street in October.

The key difference between now policy disagreement with West broken," Mr. Keating said.

As a result, the dollar sank about many, Japan, France, Britain, Italy

8% percent 30-year Treasury issue ment agreeing to "cooperate close-closed at 97 11/32, off nearly 2 ly on exchange markets."

The transmission of instability But Giles Keating, economist at in October was the dollar's weak-credit Suisse First Boston in Lon-ness." Mr. Keating said. As the dollar sank, so did the profit prospects of companies outside the United States who would find it harder to compete against products

made in America. The currency agreement, which last week led to huge coordinated official intervention from the seven as well as from outside countries and October, he said, is in the for- such as Switzerland, Austria and eign exchange market. In October, Singapore, "means that a key link Washington was in the midst of a in the chain of instability has been

Germany and unwilling to contin- The intervention, in the form of ue to: support the exchange-rate, purchases of the dollar and sales of agreement that had been ham- other key currencies, was triggered mered out the previous February. by a further 5 percent drop in the dollar from its Dec. 23 level

Although the dollar closed Friday in New York about 2 percent States and the other members of below its midweek highs, ending at percent, to close at 1,911.31. It was the Group of Seven - West Ger- 128.35 Japanese yen, it was still 6.5 percent above the record low set and Canada — issued a new state- Jan. 4 against the yen. The U.S.

DM, almost 5 percent higher than its low against West Germany's Deutsche mark, also Jan. 4.

If U.S. trade figures for November prove disastrous when they are released this week - rumors in Chicago had the deficit soaring to \$20 billion from October's record \$17.6 billion shortfall - Mr. Keating said the central banks might stand back and let the dollar fall sharply, before stepping in to drive

What seemed to unnerve Wall Street most on Friday was the report that the U.S. unemployment rate fell in December when jobs grew by 326,000, considered a big

"Wall Street was oversold on the Sanwa Bank International in London. A slowdown in the United States was widely forecast because ally advantageous cooperation in of the effect October's crash would have on the willingness of consum-ers to go on spending.

The employment gains are widey interpreted as heralding an overrapid rate of economic growth. Such growth could begin to fuel demand for higher wages; contin-ued high demand for imported con-

See MARKETS, Page 13

Kremlin Renews China Bid

Gorbachev Tells Beijing Magazine He Wants Summit

By Philip Taubman

New York Times Service MOSCOW — Mikhail S. Gorbachev proposed a summit meeting China in an interview published Sunday in a Chinese maga-

The Soviet and Chinese leaders have not met since 1959, when Ni-kita S. Khrushchev held talks in Beijing with Mao Zedong.

The interview in the magazine Liaowang the first time in more than a quarter century that a Soviet leader has directly addressed the Chinese people, underscored Mr. Gorbachev's desire to move ahead more rapidly with the normaliza-tion of relations between the world's two largest Socialist societ-

The senior Chinese leader, Deng Xiaoping, rebuffed a similar offer by Mr. Gorbachev in early Decem-

However, the publication of Sunday's interview suggested at least tacit Chinese approval of Mr. Gorbachev's proposal and the generally positive views he expressed about relations between Moscow and Beijing.
Relations have improved in re-

cent years, but major political differences remain

Chinese officials have responded warily to Mr. Gorbachev's effort to restore a measure of the friendship that bound the two countries together before their bitter split in the early 1960s. The Chinese have said that rela-

tions cannot be fully normal until Moscow withdraws its forces from Afghanistan, reduces the number of troops along the Chinese border and ends its support for the Vietnamese presence in Cambodia.

The interview, as made available in Moscow by the press agency Tass, offered Mr. Gorbachev's most optimistic assessment of relations with China since he took office in March 1985.

Gorbachev said, "and we feel satisfaction with the accelerating mutueconomy, culture, science, educa-

tion and sport.
"Soviet-Chinese border negotiations have made a successful start. Political dialogue is being established. A Soviet-Chinese summit meeting could become, in our view, its logical development."

Mr. Gorbachev, reiterating Mos-See SUMMIT, Page 5

Head of Exchange Says Fresh Plunge Possible

man of the New York Stock Ex- was then a one-day record. change said Sunday there was "no guarantee" that a stock plunge par-alleling that of Oct. 19 would not selling began that rivaled the his-But John J. Phelan Jr., respond-

ing to concerns about Friday's 140.58-point decline in the Dow Jones industrial average, said he hoped that institutional investors had learned a lesson from the October market collapse. A presidential panel on Friday

cited computerized block sales by a small number of institutional investors as a major factor in the 508point nosedive of the Dow Jones industrial average on Oct. 19. "Of course there is no guaran

tee" that a major decline in the index of 30 major stocks will not occur again in the future, Mr. Phelan said on the NBC television program "Meet the Press."

But he added, "I would hope that those people who were active in this market and using those mechanisms in the weekend of Oct. 19 have learned something about not only how to protect themselves, but also their responsibilities to the market, and their responsibilities to 180 million Americans, who either directly or indirectly invested in that market

On Oct. 16, the Friday preceding

Compiled by Our Staff From Dispatcher
WASHINGTON — The chairindex fell by 108.35 points, which When traders returned to work

The Brady panel said a few big financial entities were behind

the Oct. 19 plunge. Page 11. toric market downturn of 1929. In

the weeks that followed, prices fell

still further. Friday's decline in the Dow, the

third-biggest in history, has raised fears about the potential for another steep drop Monday. Mr. Phelan also said he was not

troubled by a recommendation by the presidential panel that the Federal Reserve Board, the U.S. central bank, be given expanded regu-latory powers over related

egments of several markets. He said he agreed "that some agency needs to be" in charge, "and I don't have a particular problem with the Federal Reserve." The Fed has not said it would accept a supervisory role, however.

The task force appointed by President Ronald Reagan to study the October collapse was headed by Nicholas F. Brady, a former Re-

See PANEL, Page 13

flect. radar, and controls on engine exhaust and described on the state of the stat The Israeli Army banned journalists from the Gaza Strip on Sat-malists from the Gaza Strip on Sat-battles had gone on between the and flew atop mosques.

By John Kifner

KHAN YUNIS, Israeli-Occuligence all over the world. Today, pied Gaza Strip — A battered SR-71 pilots and reconnaissance white Pengeot pulled up to the officers photograph Iranian naval roadblock the Palestinians had and air bases to provide informathrown across the main highway through the Gaza Strip, and the driver opened the trunk to reveal SR-71s photographed potential his cargo: eggplants, tomatoes, targets for the two U.S. bombing scallions and potatoes.

"We have been collecting food here for the last two days; every city. The officials said some of the family helps out," said Sheikh Akplanes had been lost in crashes ram Aqad, a Moslem clergymen directing the score of men at the roadblock as another car arrived with its backseat, as well as its

urday, declaring the entire district a army and the protesters, the streets closed military zone. But to four U.S. reporters, whose car slipped past the military checkpoints, the Palestinian roadblock in the midst of a huge military deployment was only one of several scenes indicating that what started with teen-age rock throwers has grown into a confrontation with most of the

As the clashes went into a second month, the refugee districts and villages up and down the Gaza Strip were clearly identifiable by the pillars of black smoke on the horizon, streets as barricades.

Steel shutters were locked down over storefronts in a general strike. burning tires, ready to throw rocks.

Some streets were blocked by Lebanon controlled by rival milibanned by the occupation authori-Chemical Arms Accord Is Seen as Unlikely in '88

metal and smoldering rubber.

were a shambles, filled with stones

and chunks of concrete, pieces of

Washington Post Service

The Western view is significantly

The latest assessment has also Nevertheless, Mr. Genscher ticism over the feasibility of verify-By Robert J. McCartnev much of the responsibility.

Moving between the pockets of army checkpoints and the Palestin-

ian towns and districts was remi-

niscent of passing between areas in

See ISRAEL, Page 5

cow, although accepting in principle the need for on-site inspections to prevent cheating on the accord. has been reluctant to spell out details of how such a verification plan should work.

touched off a dispute in the North made it clear that he is unhappy BONN - Despite major Soviet Atlantic Treaty Organization over with the the United States over the who is to blame for the delay in resumption of manufacturing of on how to verify a proposed agree- progress. The West German for- chemical weapons last year after an eign minister, Hans-Dietrich 18-year suspension. The United rious and complex differences re-main and are likely to prevent the United States and France bear weapons, using two harmless

negotiating.

chemicals that become lethal when combined.

Moscow has warned that U.S. production of chemical weapons could derail the negotiations, although it has pledged to continue

Mr. Genscher also criticized

ing a chemical-arms accord. Bonn government officials said his comments were intended for the United States and France. "We see, not without worry,

voices now growing louder in the West which raise doubts about whether verification is at all possible in the area of chemical weapons," Mr. Genscher said, "and this could create new obstacles for conclusion of a treaty."

U.S. officials, responding to Mr. Genscher's criticism, said the Unit-See BAN, Page 5

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MEDOLE BAS

· Page 2

Police quelled celebrations after

Assessing the damage at U.S. brokerage houses in 1987. In Personal investing. Pages 7-10.

partment officials say. The plane is being designed to fly as those carried on cruise missiles at more than 3,800 miles per hour — can be counted on to destroy (6,100 kilometers per hour), or military targets. more than five times the speed of sound. It will fly higher than 100,000 feet (30,500 meters) and, with aerial refueling, will be limited

in range only by the crew's endor-The reconnaissance plane is the third being built with the Stealth radar-evading technology. The others are the B-2 bomber, scheduled to go into operation in the early 1990s, and the F-19, a plane designed to be used as a lighter or for short-range reconnaissance. The F-

19 is reported to be in flight testing The plane is intended to replace the aging SR-71 Blackbird aircraft, of which only nine of the original 30 are still in service. The SR-71. which can fly three times the speed of sound at altitudes above 80,000

feet, is based on technology that is Beyond speed and altitude, officials said, the advantage of the new plane would be its ability to remain undetected. "With the SR-71, they know we're there but they can't

the new technology, they won't even know we're there." Progress in building the plane, when it might become operational and its specifications and cost could not be determined. Nor would officials discuss where it might be built. The Lockheed Corn. has been widely reported to have built the F-19 in California. Although details of Stealth tech-

pology are secret, aviation specialists have said it includes materials Palestinian protesters in Gaza blocked cars of television crews and photographers on Sunday as the unrest continued. that absorb rather than reflect radar beams, body surfaces that deto foil infrared detection systems. Long-range reconnaissance lanes, beginning with the U-2 in 1955, have photographed military positions and gathered other intel-

tion to U.S. ships in the Gulf and Arabian Sea: raids on Libya in the spring of 1986

photo intelligence caused by the aging of the SR-71s and their scar-

through extensive flying. Although satellites are now used to gather large amounts of photographic intelligence, the officials said some things cannot be done by unmanned spacecraft. Satellites follow a predictable

See PLANE, Page 5

while others had been worn out

New York Times Service

A few miles to the north, an and of Cuban positions in Grenada Israeli military helicopter was just before the U.S. invasion in dropping tear-gas canisters into the 1983, officials said. The planes also Dier Balah refugee district. Just to monitor Soviet arms shipments to the south, Khan Yunis had been sealed off by the army for five days, The officials said the new plane after clashes in which an 18-yearwas being developed to fill a gap in old Palestinian was shot and killed.

> trunk, piled high with cauliflower. "The camp has been under siege for nearly a week, and the hospital asked for food, too," he said. "If the Israelis catch one car, another gets through by the backroads,"

the knots of young men and boys cording to U.S. and West German gathered on corners or around the officials.

rising from burning tires set in the concessions in principle in August ment to ban chemical weapons, se-The streets were empty, except for signing of the accord this year, ac-

Israeli soldiers set up check- more pessimistic than it was last points at the main intersections. At spring, when delegates to the 40intervals, convoys of armored per- nation talks in Geneva predicted sonnel carriers with machine guns that the convention could be ready mounted on the top rumbled by. for signing in early 1988.

West Germany says it agrees with the United States that Mos-

what he described as Western skep-

call : 690 up of Florida

Elie Wiesel, Gathering Laureates for Eclectic Conference

Elie Wiesel, who in 1986 became the first writer to be awarded the Nobel Peace Prize is co-sponsoring with President François Mitterrand of France a meeting of Nobel laureates in Paris on Jan. 18-21. The theme of the conference, which 80 Nobel prize winners from all disciplines are expected to attend, is "Facing the 21st Century: Threats and Promises." He was interviewed in Paris by Charles Mitchelmore of the International Herald Tri-

O. What kind of message do you hope

to send from this conference? A. First of all, what we call in France a prise de conscience. The English expression is nice, it's "consciousness raising." I think we will try to call it "a message from Paris," un message de Paris: that this century which Hannah Arendt called the most violent in history has been a century of abdication in many fields. Culture has abdicated, ideologies have betrayed. If ever there was a century with

And the question is what kind of legacy are we going to leave for the next one. And the message will be, that it's up to us, it's really up to us. Since the subtitle is

MONDAY Q&A

"threats and promises," it's really up to us to turn the threats into promises. That's the message.

Q. Aren't you afraid that this might be viewed on the one hand as a sort of fullpage advertisement in The New York Times signed by famous people and, on the other hand, as sort of an involvement in French politics.

A. There are two questions there; the common factor there is the fear. Of course I'm afraid. As for the first, what is the alternative? Not to do it? Of course the danger exists. But what then, not to do it? As for the second, I know that some people will say that, but I am trying my best to depoliticize the project. In other words, I know we are very close to the elections, but the president accepted

little hope, it is certainly this century. the idea in 86. At that time, the idea of such fear didn't exist because it was so far

> Q. With an agenda going from AIDS to disarmament and culture to peace, aren't you afraid that the focus may be

A. What is the focus? There are so many problems, so many emergencies, not only urgencies, in the world. By definition, the people who are coming, the people who are coming are among the best, although not all the people who should be at the conference can come because they don't have the Nobel, but they deserve the Nobel. But those who are there naturally are almost by definition among the best, and therefore they should pay attention to everything that happens in the world. There are many problems that should be number one.

Right now the question of Israel and the occupied territories, which you have written about earlier, is very much in the headlines. Have you thought more

love Israel with all my heart. And nam-should be done? rally when we saw on television pictures even rubber bullets or use tear gas against mament and peace. After the euphoria in then what should Israel do? I don't know what Israel should do. Give up? They cannot give up. Compare Israel to other nations, and then I would tell you that Israel does not have to take lessons from anyone. If you compare Israel to France. in the colonies. Or even to the United States, what we have done in Vietnam. And Israel comes out much better than all of the others. And yet, France was not Algerian war. The United States was not threatened in her existence during the Vietnam War. Britain was not threatened in her existence during the colonial peri-od. Israel is threatened, the only country in the world whose existence is icopardized. I believe that Israel does act with restraint. Nevertheless, it hurts, I must

A. I am profoundly linked to Israel. I to see Israel in such a situation. But what Q. Your conference will also get into

of Israeli soldiers being forced to fire the main East-West questions of disarchildren, it hurts, it hurts terribly. But the United States over the summit. do you have a feeling for the longer range effect of glasnost on the Americans?

A. I was less cuphoric. I was one of the organizers of the march on Washington. I had the idea two years ago in a piece for The New York Times, saving that the what the French have done in Algeria. Or time has come for the civil rights march to the British, what the British have done of the 60s to be followed by the human rights march for Soviet Jewry of the 80s. And therefore I spoke there and I was very gratified to see 200,000 people come. Jews and non-Jews, to that demonstrathreatened in her existence during the tion. As much as I am glad whenever world leaders meet to reduce armaments, the proof must always be illustrated in human terms. How can I expect Mr. Gorbachev to feel sorry for billions of people when he doesn't feel for a few people, for a few thousand people who are either in camp or in prison or simply in expectation or in anguish because say, me as a Jew who loves Israel, it hurts they're waiting for visas.

WORLD BRIEFS

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Juring 36

Philippine Mayoral Candidate Slain

MANILA (UPI) - Gunmen killed a mayoral candidate, and Comminist rebels freed two kidnapped politicians Sunday as the Philippine ampaign for local political offices entered its final week.

Warter Fer Gunmen in central Capiz Province shot and killed Agustin Quiran, who became the 30th candidate slain in election-related violence since the

campaign began Dec. I. The two kidnapped politicians, who are associated with President Corazon C. Aquino's ruling coalition, were freed unharmed by the rebels. They were Eduardo Rodriguez, a candidate for governor of Quezon Province, and his running mate. Robert Racelis. They were released after negotiations with military authorities.

Haiti Bars 8 Duvalierist Candidates

PORT-AU-PRINCE, Haiti (Combined Dispatches) — The government-appointed Electoral Council has announced that it will not allow eight former officials of the deposed Duvalier regime to run for president The council also approved the candidacies of 11 presidential aspirants and disqualified three others.

An electoral commission handpicked by the military-led government had been expected to include the eight in a list of presidential candidates for the voting on Jan. 17. The military was widely thought to liave betaputting pressure on the commission to include the Duvalierists.

The commission's surprise announcement late Saturday was said to have shocked the Duvalierists. Haitians said they feared the dropping of the candidates might lead to another outburst of terror killings. Tomous Macoute unlittamen led a day of such killings on Nov. 29 to disrupt the

Egypt Pledges Support to Gulf States.

RIYADH (Reuters) — President Hosni Mubarak of Egypt discussed the Gulf War with senior U.S. and Saudi officials on Sunday and warned that Egypt would not tolerate an Iranian attack on Gulf Arab states. After arriving in Saudi Arabia at the start of a tour marking the restoration of full diplomatic ties with Gulf states after a nine-year break because of Egypt's peace treaty with Israel, Mr. Mubarak had separate talks with King Fahd and the visiting U.S. defense secretary, Frank C. Carlucci, on the U.S. naval presence in the Gulf and on ways to improve

Gulf states' defenses. Mr. Mubarak, who later flew to Abu Dhabi, told King Fand that Fgypt was committed to the security of the six states of the Gulf Cooperation Council. A senior Egyptian official quoted Mr. Mubarak as saying that Cairo would implement a 1950 joint Arab defense pact if any Gulf states

Study Criticizes U.S. N-Plant Security

NEW YORK (NYT) — A major study of the monitoring of radiation at U.S. nuclear power plants has concluded that better equipment and procedures are needed in the plants and in nearby areas to achieve safe.

operations and inspire public confidence.

The nationwide study said the changes were needed despite improvements since the Three Mile Island reactor accident in 1979. The study was to be released Monday by the Three Mile Island Public Health Fund's research organization established with money from a settlement with the

It called for some unusual steps, including requesting tissue sa from people living near nuclear plants, both while they are alive and in autopsies, to determine if there was evidence of radioactivity.

Bomb Kills 8 on Train Near Rangoon

RANGOON, Burma (Reuters) — A bomb exploded Snaday in a packed car on the Mandalay-Rangoon express train, killing eight persons and injuring 38, the official radio said. The radio blamed the Karen National Union, one of about a doal insurgent groups that has been fighting the military-led government for

The officials said the bomb was placed under a wooden seat in the fourth car from the front. It blew up at 8:45 A.M. when the train hint traveled a short distance from the suburban station of Pazandainag and the outskirts of Rangoon. It was the worst reported attack on civilians since 1985, when 60 people died after a mine blew up under a train.

TRAVEL UPDATE

Italian Strikes Hit Rail, Air Travel

ROME (AP) - Most Italian trains operated on schedule Sunday as a 24-hour strike by engineers failed to gain wide support, but air travelers were expected to face disruptions Monday.

The state-run railroad said there was only "modest adhesion" to the walkout and that 90 percent of trains were on schedule, with only a few local runs canceled. The strike, scheduled to end at 2 P.M. Monday, was called to protest plans to reduce the number of engineers per train-from two to one.

Monday's strike by airport ground workers was expected to have a wider impact. Alitalia said that many flights to and from Rome and Milan airports would be canceled, although interconfinental flights would operate normally. Staff planned to walk out in Rome from 11 A Ma to 7 P.M. and in two stages in Milan: from 6 A.M. to 10 A.M. and from P.M. to midnight.

Spain will send an official to its border with Gibraltar this week to investigate ways of reducing delays that residents of the British colony have encountered in entering Spain, Foreign Minister Francisco Fernán dez Ordóñez of Spain said Saturday.

Thick fog covered Lisbon on Sunday, forcing planes that were sched-uled to land there to fly instead to southern and northern Portuguese airports, the Lusa press agency reported.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and dependencies this week because of national and religious holidays:.

MONDAY: Albania, Colombia, Iraq, Iran, Nepal, Puerto Rico. TUESDAY: Tanzania.

WEDNESDAY: Togo. FRIDAY: India. Japan. Sri Lanka.

SATURDAY: Benin.

SUNDAY: China.

Source: Murgan Guaranty Trust Co., Reuters

DOONESBURY

in October to leave Singapore.

Correction







Dubcek Sees 'Profound Connection' Between '68 Effort and Gorbachev

By Roberto Suro

New York Times Service ROME - Alexander Dubcek, the Czechoslovak leader ousted by Soviet-led troops in 1968, says he sees a "profound connection" between the changes he tried to initito an interview published Sunday.

L'Unita, the Italian Communist Party newspaper, said Mr. Dubcek, who has lived in obscurity since Warsaw Pact armies invaded Czechoslovakia in August 1968, had provided more than 50 pages of written responses to questions and had met in Prague with the paper's deputy editor, Renzo Foa. L'Unita called the exchanges as the most complete expression of

Mr. Dubcek's views to be made public since his overthrow. Mr. Dubcek, 66, expressed considerable sympathy and hope about the Soviet leadership but was

less sanguine about the situation in

of economic restructuring, Mr. Dubcek said: "It is indispensable. I salute it, and I support it because I find in it a profound connection with what presented itself to us 20 years ago. I think that there has been time lost. I think about what could have been accomplished in these years with the 'new course' and about the advantages which country and for socialism."

New York Times Service

United States by France.

were "not so valuable."

\$7 million."

work. This was the testimony of

experts who examined them. The

whole collection is worth perhaps

A lawyer for Mr. Khashoggi, Jean-Pierre Sallanic, said that the Saudi had purchased 31 paintings from Mrs. Marcos, sold 20 to art

collectors for \$5 million and kept

the rest. Mr. Khashoggi said he had

voluntarily given up nine of those

to the French authorities when they

involved, but he said he was "fairly

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came searching for them. Mr. Khashoggi did not identify any of the artists whose work was

PARIS - The Saudi business- million."

that at least a third of 31 paintings great works," he said that he bought from Ferdinand E. He also said he dou

Saudi Calls Paintings

In Marcos Case 'Cheap'

man Adnan M. Khashoggi says "It's not what people think of as

were reproductions of masterpieces attorney general, Edwin Meese 3d,

and that several "cheap ones" were who was in Paris on Thursday to

Mr. Khashoggi, who spoke in a cally impossible that any paintings telephone interview Saturday from seized by the government can be

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among those turned over to the attend an interpol meeting.

Marbella, Spain, said the paintings turned over to a third party.

The "new course" was the pro-Dubcek that came to be known as "socialism with a human face."

A group of 43 Czechoslovak Communists involved in Mr. Dubate 20 years ago and those being cek's movement recently signed a undertaken by Mikhail S. Gorba-statement also making a commarichev, the Soviet leader, according son between the "Prague Spring" and Mr. Gorbachev's program. Last week, the Czech Communist Party daily, Rude Pravo, dismissed the notion, and Tass, the Soviet press agency, did much the same.

> In L'Unita's interview, Mr. Dubcek said "a mechanical comparison" between his program and Mr. Gorbachev's could not be made. although "there are here and there similarities in the fundamental sources of inspiration -- not an which unites the ideas and the orig-

Tass reported Saturday that the gram of political liberalization and man who presided over the liquida-economic changes initiated by Mr. tion of Mr. Dubcek's program, Gustav Husak, the former Czechoslovak leader, had received the Order of Lenin, the Soviet Union's highest state award.

L'Unita did not say whether Mr. Dubcek had clearance from the state authorities to express his views publicly, although it said he had traveled to Prague from his home in Bratislava, a trip that would presumably require official

The same programs he tried to carry out in 1968, Mr. Dubcek said, "today could be the most practical way to overcome divisions in society and the party."

But he said changes announced by the new Czechoslovak leader, identity, but a notable resemblance Milos Jakes, "are words to be judged positively, but concrete acts will be decisive."

est rates might soar, stock markets

tumble and jobs disappear.

its own economic health.



Alexander Dubcek, left, talking with Renzo Foa of L'Unita, the Italian daily, in Prague.

Asked what he thought of perestroika, Mr. Gorbachev's program of economic restructuring. Mr. The Trade War: Japan and U.S. Need Each Other

By Susan Chira New York Times Service

TOKYO - In the high-stakes game of trade war, Japan's strong hand does not ensure victory.

Americans have come to realize that Japanese hold powerful cards - their billion-dollar investments there would have been for our in U.S. stocks, bonds, real estate and factories. If the Japanese

He also said he doubted that the

Mr. Sallanic said it was "juridi-

A U.S. official said Thursday

the precipitous fall of the dollar until the United States decided last week to lend a hand. Such growing economic interdependence is on America. If America is ruined, combat, making it riskier for each erful on our own." side to exercise the power it holds. to persuade the United States to from falling further a By Youssef M. Ibrahim sure" the nine paintings he turned over "are not worth more than \$2

Marcos, former president of the French government had permitted Philippines, and his wife, Imelda, the paintings to leave with the U.S.

U.S. consumers would buy fewer

pulled these investments to retali-strated, a collapse on Wall Street their dollar-based holdings back to the United States is intervening in ate for U.S. trade sanctions, inter- shakes markets in Tokyo, too.

est rates might soar, stock markets
tumble and jobs disappear.

Yet Japan cannot play this winning hand. To do so would threaten

"Japanese are aware that if they use the leverage they have, it will backfire," said Masahiko Ishizuka, editor of the weekly English-language Japan Economic Journal and For all of Japan's economic mus- a writer on economic affairs. "Our cle, its central bank could not stop power, after all, depends so much

NEWS ANALYSIS

changing the old rules of trade we will not be able to remain pow-It was only last week that Japan

For the last year, Japan has had was granted one of its wishes two main economic policy goals - U.S. support to keep the dollar stem the dollar's slide and to cut its For more than a year, Japanese budget and trade deficits, which officials had pleaded for relief as threaten to slow world economic the yen rose higher and higher, cutgrowth. Japan's only weapons to ting into Japanese exporters' proforce such changes are threats to its and eventually forcing them to

American recession would mean prop up the dollar, to no avail. Japanese investors in U.S. gov-Japanese goods. And as the Octo- erament bonds, worried about pober stock market collapse demon-tential losses when they converted

bonds. But their very threats often simply because the further apprecihelped to weaken the dollar more, ation of the yen will jolt the Tokyo as currency traders anticipated that stock market, and that will hurt less demand for dollars would fur- Wall Street, and that would eventuther lower their value against yen. ally hurt Republicans in the elec-Just by their considerable pres-

ence, however, Japanese investors make the American economy more not ignore the links between its swells the U.S. trade deficit. economy and Japan's. Mounting worldwide concern over U.S. budet deficits helped spark the Wall Street collapse in October.

ty to take sweeping protectionist the trade deficit increases. measures.

if they lock the Japanese out, the closely to see if the United States pull its investments.

raise dollar prices, at least to some stock market in Japan will be jolted will really be able to cut its 1988 budget deficit by the \$33 billion American economic health. An spent billions of dollars to try to Street," said Kazuo Nukazawa, dipromised in November. If not, Street," said Kazuo Nukazawa, di- promised in November. If not, rector of international affairs at there is a risk that stock prices Keidanren, Japan's powerful big- could continue to fall as investors

Similar pressures may force the

United States to cut the budget dependent. The United States can-deficit, which Japanese believe Although Americans blame Ja-

pan, Japanese economists say the United States is borrowing from Japan to keep its economy boom-Continuing jitters over global ing. An expanding economy enstock markets, some Japanese be-courages consumers to buy. They lieve, may now limit the U.S. abili- keep buying Japanese goods and

A Japanese Foreign Ministry of-"The United States does realize ficial said Japan would be watching turn gloomy about prospects for

business group. turn gloomy about pro "My reading," he said, "is that the American economy.

yen, threatened to stop buying the foreign exchange market now

"They are so-so paintings," he that the paintings were "extremely said. "Some are not authentic valuable" and "by well-known names." A Philippine government spokesman said that some of the paintings were by "masters." Offi-cials have said they believed that Mr. Khashoggi was holding works by such artists as Monet, Boucher, Pissarro, Rubens and Hals for the

U.S. Justice Department offi-cials said that nine of the 31 paint-ings had been turned over to Mr. "My campaign, even if limited Meese at the U.S. Embassy in Parto the overseas community, will be the first chance Americans abroad have ever had to express themselves in a sort of referendum," he said in an interview.

cos that is being conducted by the attorney general's office in New a candidacy by an overseas American had never been tested in the Supreme Court but that the constitution seemed to present no obstacle. It states that a president must be at least 35 years old, have lived 14 years in the United States and must be "a natural born citi-

> Mr. Sundberg, who fits those criteria, was chairman of the Democrats Abroad organization for four years and has represent-

ed it as a member of the Democratic National Committee since Democrats Abroad has the



Andrew Sundberg

Convention as a state party. Overseas Republicans have no

will receive two ballots in a postal primary, which will be counted on March 22, before the July convention in Atlanta. One will be to vote for 10 delegates to the con-vention who will either support a specific candidate or run uncommitted. The other is a vote for president, which is where Mr. Sundberg will appear on the ballot in direct competition with the

"No one imagined there could

Democrats Abroad Election Committee in Paris. "Our rules and regulations don't exactly cover this situation. But nothing prevents delegate candidates to

pledge to Andy."
A spokesman for the Demo-cratic National Committee, Julie Anbender, said in Washington. "I've never heard of this kind of candidacy before, so I would have no way to speculate on its impact, if any, at the national convention.

Mr. Sundberg, 46, was born in New Jersey but went abroad with his family when he was 12. He attended a U.S. military grade school in Japan and high school in Wiesbaden, West Germany. He then went to the U.S. Naval Academy at Annapolis, Maryland, and was graduated fourth in

Later, as a Rhodes scholar at Oxford University studying eco-nomics, he met his French wife,

zens.' I felt that unfair. "I also felt that our democratic system is good and responsive enough that if this unfairness was

brought to the attention of the

right people, the law would

change. As campaign planks, Mr. Sundberg seeks:

To eliminate anomalies that

can prevent certain Americans

passing their citizenship to their

children because of complications involving prior U.S. residency requirements, and to en-sure that no child of an American ends up stateless. • To give overseas U.S. citizens representation in Congress.

cial Security. To extend Medicare coverage for overseas citizens who have

To allow Americans overseas

to participate voluntarily in So-

 To return to a system of taxing Americans according to their residence rather than their citizenship to avoid double taxation. To increase support to American schools and teachers abroad.

From Geneva, a Candidate for the White House said Dr. Harold Foecke, of the children are second-class citi-By Mavis Guinard

Special to the Herald Tribune GENEVA — When it comes to outside candidates, few are farther out than Andrew Sundberg. From his home in Geneva, Mr. Sundberg is running for the presi-dency of the United States. He hopes his campaign will draw at-tention to the problems of Americans abroad.

is. There were reports that the works were flown to the United States on Mr. Meese's plane. The paintings are evidence in a In Washington, the Congressional Research Service said that criminal investigation of Mr. Mar-

York. The U.S. interest in the case stems from a request of the federal court in New York, which has frozen the Marcos assets. The action was taken after the government in Manila filed a suit charging that the paintings were stolen property pur-chased by the Marcos family with public funds belonging to the Philippines.

Registered Democrats overseas

other candidates.

his class.

"In the 70s, I discovered that my children had a citizenship problem under U.S. law," he said. "Having participated in the Cuban quarantine and served in Vietnam, it seemed a strange way we're going to tell you that your overseas.

helped pay for it.

● To provide greater protection against rapid fluctuations of to say thank you for risking your the dollar for military personnel life for your country and now and their dependents while based

same status at the Democratic be a 'favorite son' from abroad,"

By David B. Ottaway

Washington Post Service gola, a figure higher than any U.S. creased South African military inintelligence estimate to date and volvement in southern Angola. one that seems to confirm reports of a new Cuban military buildup in the southern African nation.

The figure is at least 3,000 more

than the highest used by the Cen-tral Intelligence Agency and the

Defense Intelligence Agency and

5,000 more than a Cuban defector,

role in Angola's effort to repel South African military incursions,

Assistant Secretary of State Chester A. Crocker is scheduled to

Cuba Raises Troop Strength in Angola to 40,000 sent in Angola early last summer. newing efforts to persuade Angola troops appeared last week in the The Cuban buildup is apparently to send the increasing Cuban con- Cuban magazine Bohemia, which WASHINGTON — A senior in response to recent Angolan gov ingent home and South Africa to reprinted an interview by a Swedernment setbacks in its 12-year-old grant independence to neighboring ish correspondent with Jorge Risday 40,000 troops stationed in Anwar with U.S.-armed rebels and inSouth-West Africa. the Cuban Communist Party's ruling Political Bureau.

Mr. Risquet dismissed an allega-The two developments have led leave this month for negotiations tion by the former general, Rafael to a decision by the Cuban leader, with Angolan authorities in Luandel Piño Diaz, who defected in Fidel Castro, to commit Cuban do on these two issues. The Reagan June and has estimated Cuban war troops for the first time to an active administration has insisted that the casualties in Angola at 10,000 dead Cuban troops leave before the and wounded since the Cuban United States will extend diplotroops arrived there in March 1975. matic recognition to the Marxist according to Angolan sources. Mr. Risquet said 1,000 Cubans Angolan government. The expanded Cuban role comes have died but did not give a figure an air force general, said were pre- as the Reagan administration is re- The figure of 40,000 Cuban for the number of wounded.

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An article in the Jan. 9-10 editions of the IHT said that a decision by The Economist of London to close its editorial office in Singapore was made after the government of Singapore cut the circulation of the Ear. Eastern Economic Review in December. The Economist says it decided.

Selected U.S. Co AFTER AN EXHAUSTINE ANALYSIS OF FRIDAYS ST.

in the department and has

layoffs, unpaid furloughs and arbi-

The budget reprieve contained in the State Department authoriza-

tion bill signed into law by Presi-

dent Ronald Reagan on Dec. 22,

was the result of fierce lobbying on

Capitol Hill by Secretary of State

George P. Shultz, the White House

chief of staff, Howard H. Baker Jr.,

and ranking officials from the State

Department and the Office for

During the four-week "budget summit" meeting, the tortuous talks between the White House and

congressional negotiators to reduce

the federal deficit, a consensus

emerged in the budget committees

that the State Department needed

more money to operate efficiently. Department budget analysts ac-

knowledge that their cause was

helped by the dramatic slide of the

dollar that occurred just as the

meetings began.
In the end, the State Department

was granted \$1.69 million for sala-

ries and expenses, about \$60 mil-

lion more than the department ex-

Management and Budget.

trary transfers.

yoral candidate and Consum Soundary as the Pair Bled for Dole and Haig diss final week Pair Bled for Dole and Haig stion-related violence state.

By Peter Applebome Texas is the most populous streaming 20, mostly in the South, the south of the state of the south of

freed unharmed by the the iate for governor of constant of the cells. They were released st Candidates Dispatches) — The Box sounced that it will lot it

s of 11 presidential soft the military led governor list of presidential confine widely thought to have been used the Orvalierist at late Saturday was said they leared the dropped use of terror killings from age on Nov. 20 to dismost the same terror with the same terror list of terror killings from the confine terror kill

t to Gulf States Mubarak of Egypt decear ficials on Sunday and was strack on Gull Arab sans start of a tour making t states after a mine-period

Mr. Mubarak had span

defense secretary, final Gulf and on ways to inpe

bi, told King Fahd that have also of the Culf Cooperation.

Mr. Mubarak as saying the leftense pact if any full and take appropriate action."

Haig campaign officials also are supposted to the had.

Haig campaign officials also

-Plant Securit if the monitoring of raise id that better equipment is nearby areas to achieve vere needed despite impaction in 1979. The snape

Island Public Health Ful cy from a settlement with ng requesting tissue and

e of radioactivity. Near Rangoo

omb exploded Sunday a; ess train, killing eight pone

military-led government under a wooden seame 45 A.M. when the transic n station of Pazundana e reported attack on diving te blew up under a train.

DATE

, Air Travel ride support, but air travels

on schedule, with only 18) end at 2 P.M. Mondry, ₩ r of engineers per training kers was expected to less has to and from Rome at

ly "modest adhesion" o

ngh intercontinent in A.M. to 10 A.M. adiani with Gibraltas the end 1 sidents of the British other 1 Minister Francisco Fort ring planes that see she

TR and northern Parise losed or service analy his week because of the

iepal Paene Ren

. IHT said that a detis

n Guidant Trai (a Rossin

mal office in Suspensial the circulation of help

for Kill Devil Hills, North Carolina, but "more often than not, those affected adversely by retreat are the community's most clite, wealthy and influential

Notes About People

the coming year, including an-other visit to the Soviet Union. Even so, "I'll be glad when the

among 20, mostly in the South, that HOUSTON - Republican offi are to hold primaries and caucuses on March 8.

FBIIs Asked to Probe

For Fraud in Petitions

in Texas have asked federal

ing News reported that

vote in the Republican primary.

One person whose name was on a person had been dead since

chairman of the Dole campaign, said the reports of fraudulent

names appeared to be true. He said

the flawed petitions were submit-

ted by temporary workers hired by

But they did not discount the possi-

bility that the candidates names

could be removed from the ballot if

they did not contain the required 5,000 legal signatures.

U.S. Team Heads

For Main Soviet

Nuclear Test Site

The Associated Press

underground nuclear explosions.

The U.S. Embassy said that the

ations on the treaties in Geneva,

would be at the site for two days.

counterpart in the talks.

appeared to be fraudulent.

ncies to investigate charges that

Mons filed for the state's presi-

State Republican officials said the petitions had been turned over to the FBI and Justice Department officials for investigation of possible felony violations.

persons filed for the state's presidential primary by two Republican candidates. Senator Bob Dole of Kansas and Alexander M. Haig Jr. contained minerous forgenes.

The isquest, sent to the Federal Balesia of Investigation and a U.S. strong, was made after The Dallie Morange. News recovered that ■ Dole Spars With Bush David Hoffman of The Washing-ton Post reported from Des Moines,

adding thecks with people whose specifical them and they had not plan to Mr. Dole demanded Saturday that Vice President George Bush release all documents and evidence about his role in the Iran-contra affair, but Mr. Bush responded that Mr. Dole, the Senate minority leader, should "do a little homework" and read material already delivered to Congress.

1982 the newspaper reported, and some of the names of people listed as having circulated the petitions The vice president demanded that Mr. Dole and others release William E. Brock 3d, national financial disclosure reports and tax returns. Mr. Dole replied: "He's just trying to change the issue." The two leading Republican candidates' exchanges came after Mr. Bush's charge at a Des Moines a Houston company, which was paid to compile the petitions. "To the best of our knowledge, Register debate Friday night that he had been unfairly criticized in the newspaper for failing to answer there are more than enough legiti-mate names to qualify. Mr. Brock said. We are outraged. We've been had, and no one likes to be had. questions about his role in the Iran-

The vice president's statements at the debate, aimed at James P. Gamon, the debate moderator and editor of The Register, appeared to preempt criticism from most of the other Republican candidates. But Mr. Dole returned immediately to the issue Saturday morning.

Haig campaign officials also called for a full investigation.

Republican officials, who requested the investigation Friday, were wary of assessing how widespread the irregularities could be "It may be sort of the ghost of Spiro Agnew coming into Iowa and taking on the press," Mr. Dole said, referring to the vice president who criticized media coverage of Richard Nixon's 1972 reelection cam-

mr. Dole also said Mr. Bush should make public "all data, all conversations" he had during the lran-contra affair, except for his advice to President Ronald Rea-gan, which the vice president has refused to disclose.

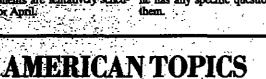
"Why doesn't he release what we're all trying to find out about, The Associated Press the Iran-contra thing?" Mr. Dole MOSCOW—A team of 20 U.S. asked Mr. Bush made documents nion, one of about a better the congress, but the rezakhstan on Sunday for a tour of port of the congressional committhe Soviet Union's main nuclear tees investigating the affair said littest site, a visit that could lead to the evidence was found concerning - satisfication of two treaties limiting his role.

Later Saturday, Mr. Bush repeated the approach he started delegation headed by Robert B. Thursday, volunteering to take Barker, the chief delegate to negoti- questions about his role. He said he would "be glad" to release the doc-uments Mr. Dole mentioned but The visit to the test range near added that he the Semipalaffick, the first by U.S. of that is classified." added that he thought "some of ficials, will be followed by a Soviet

"Why didn't he ask that last tour of the U.S. nuclear test range night?" Mr. Bush asked, referring Dole. The vice pr in Nevada later this month. The to Mr. Dole. The vice president Sovier tour will be led by Igor M. said the Senate investigated the af-Palenykh. Mr. Barker's Soviet fair and Mr. Dole "has access to counterpart in the talks." ounterpart in the talks.

everything that's been provided in the visits, agreed to thing the the Senate."

Washington summit meeting in "I suggest he do a little home-December, are aimed at working work," the vice president said. "I out recaprocal experiments on de- suggest he take a little time off from vices to monitor verification. The the campaign and read 'cm. And if experiments are tentatively sched- he has any specific questions, ask trict of Illinois.



Taxpayers Soaked For Turning the Tide

As deean levels rise along all major American coasts - Atlantic and Pacific, Gulf of Mex-ico and Great Takes — Ameri-can taxpayers find themselves bailing out those who build too close to eroding storelines, the Los Angeles Times reports. The National Academy of

Sciences says the Earth's atmosphere is warming with the burning of fossil fuels, melting polar ice faster, with higher temperatures expanding the ocean. The seas are expected to rise between two and five feet (60 to 150 centimeters) during the next 100 years, twice to five times the rate during the past

century.

Meanwhile, people whose buildings fall into the sea can buildings fall into the sea can thought insurance. collect federal flood insurance. Before this happens, they often persuade local communities to restore beaches, a temporary palliative, or build sea walls, which actually hasten shoreline

which accounty masses of the medium-income person, as a taxpayer, is subsidizing the second home of the rich, says Jun Tims of the U.S. Environmental Protection. Agency. Various state regulations already bar construction too close to shore, and federal measures are being considered.

Retreat from the shoreline may be the best policy, said Raymond Sturza, town planner

The evangelist Billy Graham says he is weary of the world's imputies and ready to move on to heaven. But he no longer talks about retiring: "I've quit that because I feel so good." Mr. Graham, 69, has a heavy schedule of preaching forays for

moment comes that the Lord calls me to heaven. I get tired down here sometimes." He added that "I cringe at so much suffering and immorality, the fraud and all the things going on. The biggest problem facing America is the moral situation. the scandals in business, Wall Street, sports, in every area, even the church." He said the sex-and-money scandal that toppled the television ministry of Jim and Tammy Bakker at least "caused everybody to realize there must be financial ac-

who is running for the Republi-can nomination for president, says Senator Paul Simon of Illi-nois may be the strongest Dem-ocratic candidate. "I've watched Simon for many years," Senator Dole said. "He is a decent human being. He's a gennine liberal, old-fashioned Democrat, makes no excuses for it, and it's having an im-

Senator Bob Dole of Kansas,

If Buses Can Do It, Why Can't Airlines?

Although the Federal Avia-tion Administration says au-lines should limit the number of carry on bags brought aboard by passengers. The Washington Post says in an editorial that unless and until airlines can (a) produce passengers' checked luggage quickly at their destinations and (b) not keep scheduling passengers on sec-onds-to-make, so-called con-necting flights for which they have no reasonable chance at all of having their luggage make the transfer, they're not likely to get much cooperation with any new carry-on limits.

"Maybe they should adopt the old Greyhound system— let passengers flip their bags into the underbelly of the plane before they board and pick them off at the other end. At least that might be one way for an airline to cut your losses until it can get its baggage-checking act in order."

-ARTHUR HIGBEE



Dan Battistel of Steubenville, Ohio, stocks up with water with help of his daughter, Erika, center, and Josi Blair. Steubenville is one of the cities on the Ohio River coping with a major oil spill.

On the Ohio, the Oil Slick Rolls On In Wheeling, West Virgina, Major Problems Turn Up

By Cass Peterson

Washington Past Service
WHEELING, West Virginia -The intricate plans of the bestprepared city on the Ohio River drained away over the weekend as a pool of pollution cozed around the bend on its inexorable journey downstream.

Despite six days of feverish planning to provide a temporary water supply, Wheeling had less than a half-day's supply of water on Sunday. On Saturday, businesses had been ordered to close. "We're having a lot of problems," said the assistant city manager, Nancy Vapner. "We don't know how long we'll have

The problem, some officials say, is that Wheeling may have prepared too well for the 100mile-long (160-kilometer) spill that has been snaking down the Ohio since the collapse of an Ashland Oil Co. diesel-fuel tank near Pittsburgh on Jan. 2.

Comforted by days of assur-ances from city officials that the situation was well in hand, many residents apparently did not take the impending slick seriously un-

P.M. on Friday that it had closed its water intake valve. Then they started filling bathtubs and pots.

By Saturday, the city's reservoir, capable of supplying all the city's needs for a day or more, was down to 6 feet (1.80 meters) from Friday's brimful 22 feet. Two pipelines booked to un-

polluted water supplies in nearby cities are working, but together provide less than a quarter of the city's needs. Four million-gallon barges that the city had counted on to keep the taps running were out of commission most of the day with pump problems.

The smugness with which this city of 60,000 had awaited the spill's arrival evaporated quickly. Instead, officials were involved in deploying water tankers, pleading with recalcitrant businesses and wondering how long the drought would last.

Residents lugged jugs and garbage cans to National Guard

mobile tanks that have become as common as coal trucks in the Ohio Valley. "I may never drink river water

til the city announced at 5:30 again," said Rena Breiding, who was helping her husband, Larry, distribute three trailer-loads of bottled water supplied by the Miller Brewing Co. "Even if the water comes back, I feel that the chemicals they're adding to it to clean it must be bad."

The bitter cold weather, a boon up river a week ago when it congealed the fuel and made it easier for skimming equipment to capture, has become a disadvantage. The river's flow is extremely slow under a thin coat of ice, and the cold keeps the oil suspended in fine drops.

Curt Ridenour of the Ohio Environmental Protection Agency said towns on the river would most likely have to take precautions for "several weeks, even Right now, the river is in a

falling stage, so some oil is being left along the banks," he said.
"When the river rises, some of that will be washed back into the

In nearby Steubenville, Ohio, residents complained that the water smelled foul and left greasy stains on porcelain.

U.S. Court to Rule on French Claims For Amoco Cadiz Oil Spill in 1978

By Barry James nal Ĥerald Tribunc

An American judge is scheduled to deliver judgment Monday on oyster growers, fishermen, hotel damage claims arising out of the owners, a ferry company and variworst oil spill in history. In April 1984, the Standard Oil

Co. of Indiana and two subsidiaries, Amoco International Oil Co. and Amoco Transport Co., were found liable for damages "to the full extent" by U.S. District Judge Frank McGarr, of the northern dis-

A separate trial, followed closely in communities along the Brittany coast, was opened in April 1986 to determine the amount of damages. sion in Chicago.

tany, 76 coastal towns and villages,

the Amoco Corp., formerly the S.A. Standard Oil Company.

The 233,000-ton Liberian-regis-17, 1978, and broke in two after losing its steering in a gale. The It ends with Judge McGarr's deci- crude oil, much of which washed

The French government, two ter) stretch of coastline in north-provincial administrations in Brit-western France.

Judge McGarr ruled in 1984 that Amoco and its subsidiaries were Amoco Cadiz disaster off the ous other private interests have regigent in the design, repair and maintenance of the tanker and liaruled that they were entitled to seek The claims were filed in Illinois damages from the Spanish builder because it is the home state of the of the tanker, Astilleros Españoles

about 600,000 metric tons of crude tion fraud and drug trafficking.
oil. Two tankers collided off TriniInternal dissatisfaction with

reported Fri

The Amoco Cadiz disaster was and improve the judicial system. The 233,000-ton Liberian-regisectipsed by oil well blowouts in the tered supertanker hit rocks off the Brittany town of Portsall on March 1979 and 1981, which each spilled with political assassinations, elec-

ship was carrying more than 220,000 metric tons of Arabian crude oil, much of which washed up along a 120-mile (190-kilome-

In Panama, Late Funding Forestalls Celebration State Department Crisis **Over Rumor** The additional money has helped alleviate morale problems By Elaine Sciolino

New York Times Service Noriega Fled WASHINGTON — Congress has forestalled the State Depart- staunched rumors of impending ment budget crisis for at least a year by quietly appropriating addi-

history.

been described as the most dramat-

ic budget cuts in the department's

The widely publicized budget-

cutting plan has been shelved, at

least temporarily. It would have

eliminated 1,270 jobs, about 8 per-

cent of the department's work force

in Washington and around the

world, and closed at least 13 em-

bassies and consulates, among oth-

er measures. Other steps that are no

longer under consideration are the

elimination of 27 deputy assistant secretary jobs and of differential

Senior State Department offi-

cials emphasized that the crisis was

not over, merely delayed for a year,

and that the department would

have to face the same hard deci-

ay in hardship posts.

tional funding in the final days of PANAMA CITY - General Manuel Antonio Noriega, whose secret trip to the Dominican Reits last session. The little-noticed move gives \$60 million more to the State Departpublic set off street celebrations in ment for salaries and operational Panama, quietly slipped back into the country Sunday. expenses for this year, just enough to prevent a package of what had

At the headquarters of the National Defense Force, of which General Noriega is commander in chief, an officer on duty confirmed reports that the general was back in the country, but said that he could not disclose his whereabouts.

Rumors that General Noriega had resigned and fled the country prompted wild celebrations during the weekend.

Witnesses said that thousands of people took part in street celebrations Saturday that spread from the capital to other areas as the rumors spread. Participants beeped car horns and waved white flags and handkerchiefs, they said.

"It was like a carnival," said Rosario Arias Galindo, a resident of the business district, which has been the principal site of opposition demonstrations in the capital

since civic unrest began in June.
"The street was packed with peo ple for two blocks," she said, adding that the crowd spread into side streets and blocked traffic.

Residents of Panama City said that the police and soldiers had used tear gas, bird shot and rubber hoses to quell the celebrations. One witness said that she had seen four people being arrested.

The rumors that General Noriega had fled came one day after Reagan administration officials said the United States had applied station that would fly into orbit quiet pressure on the Panamanian leader in an effort to get him to resign and permit free elections.

His general staff issued a state-ment signed by Chief of Staff Marcos Justines Fernandez and other staff members and read over national television.

It said that General Noriega and his family had left for "a private visit to the Dominican Republic during the weekend, and that he will return to attend to his official duties in his office Monday." General Noriega is the head of

the Panamanian armed forces and police. Opposition leaders say he is the real power behind President Eric Arturo Delvalle. The assistant U.S. secretary of

defense for international security affairs. Richard L. Armitage, went to Panama last week to tell General Noriega of U.S. concern over developments in Panama in the last six months and to advise the general that Washington believes his resignation is necessary. The Wash-

U.S. officials were quoted as saying that Mr. Armitage told General Noriega that he should resign by April, dismiss his close military associates, call democratic elections

Alternative Space Station NEW YORK — A White House international competition. A federpolicy group has agreed in princi- al move to support the proposed ple that the government should station would guarantee a major back a private plan for construct customer, greatly increasing the tion of a small, inexpensive space chances of the plan's realization.

Reagan Advisers Support

years ahead of NASA's multibillion-dollar space outpost, according to federal officials. The National Aeronautics and Space Administration, which views

the proposal as a serious threat to

its space station plans, denied that

an agreement had been reached. A spokesman for the head of the policy group refused to comment. The reported action came in the form of a proposed recommendation to President Ronald Reagan that the government use federal funds to lease part of the small space station, which could be orbiting Earth as soon as 1991, whereas

the NASA station would be ready by 1997 at the earliest. Private companies could also use it for a variety of industrial purposes. The commercial venture, headed by Space Industries Inc. of Houston, would advance the administra-

tion's goal of promoting the na-

tion's fledgling private space





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U.S. No Longer Considers Libya a Threat

By Elaine Sciolino

government of Colonel Moammar Gadhafi of Libya has been so weakened by a series of setbacks over the last year that it no longer poses a serious threat to its neighbors in the Mediterranean region, according to White House and State Department officials.

They say that, as a result, U.S. policy now puts less emphasis on confrontational measures, like the bombing of Libya 21 months ago, that were intended to intimidate Colonel Gadhafi or even to encourage his overthrow. Instead, the policy seeks to limit his influence by continuing to isolate him politically and economically in the region, these officials say.

"There's been a natural evolu-tion of our policy," said one White House official, "If one characterizes our earlier policy as one of say we're now trying to further iso-Another official put it more

Berlin Names

Bombing Suspect BERLIN - The authorities are looking for a West Berlin woman suspected of planting the bomb in a discotheque in the city that killed two U.S. soldiers and a Turkish woman and injured 229 people in April 1986, a West Berlin official said Sunday.

Blaming Libya for the attack, at La Belle discotheque, the United States bombed the cities of Tripoli and Benghazi 10 days later in retaliation against the Libyan leader, Colonel Moammar Gadhafi. West Berlin government sources said that the suspect, Christina Ga-briele Endrigkeit, a 27-year-old

German born in West Berlin, is

believed to have planted the device

on behalf of two convicted Pales-

tinian terrorists. The West Berlin

Justice Department spokesman

said that an arrest warrant for her

bluntly. "We finally decided we New York Times Service cannot remove the man from the again will be able to restore his WASHINGTON—The Reagan outside by military means," he credibility and that time is on our administration believes that the said. "Our policy is now where it side," said one State Department

> White House and State Department officials who follow develop-ments in Libya attribute the change in attitude partly to the success of the U.S. bombing raids in 1986 in curbing Colonel Gadhaff's promotion of international terrorism.

The United States has never ac-White House and State Departaccept the status quo.

"We believe that Gadhafi never official. "Our policy is now geared to having him in place for a long time, but in a weakened state."
The officials acknowledge that

hafi, rather than direct confrontation. These include the replacement knowledged that the ultimate aim of William J. Casey, who died last in oil revenues in 1987, compared of the bombine raids was to over- year, as director of central intelli- with \$10 billion in 1885, even Admiral John M. Poindexter, the the raids. Now they are willing to Council's deputy director for polit ical-military affairs.

in reducing the stature of Colonel Gadhafi both at home and abroad, they admit that the economic sanctions imposed by Mr. Reagan two personnel changes in policy-making positions in Washington have made it easier to promote the steady isolation of Colonel Gadyears ago have had a minimal economic impact on Libya's economy and have been important more for Libya earned just over \$6 billion

Although officials hail the U.S.

bombing as a crucial turning point

throw the Libyan leader, but senior gence, and the departure of Rear though oil production levels have ment officials said at the time that former national security adviser. United States is also heartened by it would have been fortuitous if and Lieutenant Colonel Oliver L. steps taken by a number of West-Colonel Gadhafi had been killed in North, the National Security em allies to reduce or at least not expand their commercial ties to

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Help Gorbachev?

clear that Mikhail Gorbachev is willing to correct and an economically successful Soundo half a century of Stalinist central planning to get it moving again. What is not clear is whether a successful fix would serve American interests. A fatter Soviet bear might be friendlier, more peaceable, more concerned with putting a microwave in every kitchen than with pursuing dreams of world hegemony. On the other hand, a fatter bear might be stronger, more arrogant, more capable of pursuing empire. No one, not even Mr. Gorbachev, really knows how the Soviet political system will react to economic change.

That uncertainty is reason for caution in responding to Soviet overtures for economic cooperation. But it certainly is not sufficient reason to continue confrontation-as-usual or automatically to interpret every Soviet success as a Western defeat. If Soviet stagnation continues, a dangerous superpower competition, good for neither side, is almost certain. Successful economic reform offers hope of accommodation, good for both sides.

This month, enterprises that make 60 percent of Soviet goods get some discretion to decide what to produce, what to charge and where to sell. Mr. Gorbachev wants control of most civilian production stripped from the Moscow planning bureaucracy by the early 1990s. Decisions will be left to profit-maximizing, worker-elected managers and the Invisible Hand of competition. Worker cooperatives will be encouraged to fill unproductive gaps in light industry and services. Rural families will be able to lease land from state farms for a share of the crop. Consumer subsidies will be eliminated for food, fuel and all but the most modest housing.

The Russians hope to double or triple their anemic 2 percent recent growth rate while matching Western standards for quality and variety in consumer goods. Americans can hope that a successful economic liberalization will lead to political liberalization. Decentralization, encouragement of individual initiative and respect for consumers might stimulate a parallel shift in political values.

That is not just wishful thinking. Historians believe that the rise of decentralized market economies powerfully influenced development of liberal political systems in Europe. Mr. Gorbachev is no social democrat, but new openness and greater tolerance of dissent reflect his recognition of a link between economic and political freedom.

History, unfortunately, also offers lessons to support a contrary prediction. It is

The talk is that the Soviet Union is ready

to cut its losses and pull out of Afghanistan

this year without waiting to set up a govern-

ment in which the place of local Communists

would be ensured. Good. Let the withdrawal

begin. Up to now the Soviets have stated a

determination to create a "coalition" and to promote "national reconciliation" among

warring Afghans before departing. These eu-

phemisms for ensuring a place for local

Communists have been a mask for staying on. If the Kremlin has dropped the mask and

Soviet invasion is within sight, although

the war of the Afghans may go on longer.

et support of one set of Afghans and Ameri-

can support of another, and on this basis

some people expect the United States to

conduct a matching cutoff of aid to the

resistance. But the basis for a cutoff should

be a Soviet withdrawal that makes moot the

purpose — repelling an invasion — for which aid is rendered. Practically speaking,

aid should taper off as withdrawal pro-

gresses. The American purpose is not to

harass or further humiliate the departing

Soviets but to make sure they do not change

A certain equation is made between Sovi-

Let Withdrawal Begin

is prepared to leave its clients in Kabul to in the sense that the Soviet Union has a right

contend for what power they can earn with to claim for its proxies some share of the

their own resources, termination of the power. The Kremlin was wrong to invade

The Soviet economy stagnates and it is possible that hard-nosed Americans are viet Union would look more like 19th century imperial Germany, with Mr. Gorbachev cast as Bismarck. In this vision, once the post-feudal, ethnically unassimilated country builds the economic machinery to compete with the West, it will try to distract from its internal contradictions with dangerous foreign adventures.

> In truth, there is no way to predict how economic revitalization would influence Soviet politics. What reasonable basis is there, then, for deciding how to answer Mr. Gorbachev's invitation to closer economic ties?

> The question is made easier because no one is proposing revolutionary changes. America is not about to offer precious hightech assets like supercomputers. The Russians are not about to mortgage their economic future to the good will of foreigners by buying or borrowing heavily in the West. Commitments like trade, loans, joint ventures and technology licensing will, by mutu-al agreement, be modest and reversible. Thus, as a practical matter, Western in-

fluence on Soviet development will be marginal. That affords the West the cheap luxury of giving Mr. Gorbachev the benefit of the doubt. The United States can afford to assist as long as economic change appears to lead to general improvement in respect for human rights and constructive attitudes on arms control and foreign policy.

Specific linkages probably do not make sense. The carrots that the West can offer simply are not big enough to induce change. The Russians are not likely to withdraw tanks from Eastern Europe in exchange for better tariff treatment for their manufactured exports. But the warmth of the economic relationship could still be modulated in tune with the political relationship.

It is possible that high hopes will be dashed, that Mr. Gorbachev's reforms will fail, or will succeed without inducing a political thaw. If so, the West will have paid no great price for a bad bet. Support for a losing cause might even serve Western interests by giving politically stressed Soviet leaders less excuse for paranoia. There might also be a happier result: more goods, more growth, more freedom - even the stirring of a democratic impulse. And that, however distant and however unlikely, is a goal that America should be pleased to advance.

scores to settle among themselves. Both

sides have stockpiled weapons against the

day when Soviet troops leave and American

and other foreign aid ends. How they use

those weapons may not be much influenced

stood here. Afghanistan is a Soviet-Ameri-

can "regional dispute" in the sense that it is

in a region and is in dispute between the

great powers, but it is not a regional dispute

Afghanistan eight bloody years ago, and it

has no right to demand any particular inter-

nal result. If fairness were the measure of

these things, Afghans would have a right to

demand far-reaching internal changes in the

The Soviet Union says it does not seek a

pro-Soviet regime and asks the United

States to say it does not seek a pro-Ameri-

can regime. This is fine. The "free, non-

aligned and neutral" Afghanistan that

Moscow says it wants is what Washington

wants. The way to get from here to there is

- THE WASHINGTON POST.

Soviet Union to prevent another invasion.

Something basic needs to be better under-

by outsiders' exhortations for peace.

- THE NEW YORK TIMES.



By Pierre Lellouche

PARIS — Europe is at a cross-roads. In the next two or three years the Europeans will have to decide what course they choose among two options now on the table. The first option is the tempting

"soft" path proposed by Mikhail Gorbachev. After the INF treaty would come elimination of all remaining U.S. and Soviet tactical nuclear arms - the so-called triple-zero option - combined with deep cuts in U.S. and Soviet troop presence in Europe. The Warsaw Pact proposals tabled last June mention reduction by half a million men on each side more than the whole 325,000-member U.S. contingent in Europe.

The catch here is that down the line these various arms control deals would fundamentally reshape the political-territorial order in Europe. The two alliances would be gone. France and Britain, with their nuclear arsenals, would be marginalized. West Germany would be neutralized and probably offered some kind of federative arrangement with the Communists German Democratic Republic - which the Soviets, of course, have

no intention of letting go. In the Federal Republic, gradual reshaping of the European map by demilitarization of East-West relations" has become the unspoken but quite evident objective of many "détente" and arms control advocates.

Before embarking on the soft option, Europeans should ask what kind of Europe they aim for. I, for one, do not believe that Europe ought to be-come a kind of vast Austria, dominated by a neutral but economically superior Germany that would be buying Soviet benevolence through massive transfers of capital and technology to the Soviet empire — all under the shadow of the Red Army, of course.

The second option could ensure peace and stability in Europe, while preserving the long-term chances for reunification not just of the two Germanys but of the two parts of Europe.

The agenda ahead consists of re-building a coherent political-military strategy capable of deterring the Soviets from any military temptations while restoring a strong security con-sensus in the West European public. Three key principles:

The truth needs to be told. Prime Minister Margaret Thatcher and President François Mitterrand, for example, express enthusiastic support for the INF treaty in public but speak differently in private; they know better. Europeans need to be told that there is no alternative to the policy

bust conventional defense. With all Western defense budgets going down or stagnating and with increasingly scarce demographic resources (particularly in West Germany), faddish talk of "conventional alternatives" to nuclear deterrence is irresponsible. Besides, the history of Europe is full of "stable" conventional balances that have derailed into full-scale wars. It is foolish to count on the Soviets to

resolve Western Europe's security predicament in negotiations. The idea, popular in some U.S. liberal circles and on the European left, that Soviet tanks could be traded for the remaining U.S. tactical nuclear weapons ig-nores the fact that the Soviets are vastly superior both in tactical nuclear arms and in tanks. As to conventional trade-offs, recent studies at the Rand Corporation show that NATO would have to ask for vastly assymetrical reductions, on the order of at least 5-Soviets ever agree to that?

Restore the political and military will not happen by keeping just shortrange tactical weapons that can kill Europeans without hurting the Russians. Thus, current Pentagon plans

are out of the question politically. The way out of that box will be to rely on remaining long-range U.S. surcraft (the F-111) and on European aircraft carrying French- and British-made nuclear missiles capable of reaching deep into Warsaw Pact territory, including Soviet territory. European nuclear forces would receive a much greater deterrent role. Planning and conditions for the release of such weapons could be further Europeanized by the creation of an autonomous European Nuclear Planning Group working alongside NATO.

Agreeing among themselves on the proper mix between nuclear and conventional forces before further negotiations with the Soviets is an urgent task for the Western democracies today, along with building a strong European pillar within the alliance.

Twenty years ago the Atlantic alli-ance came up with the political and military guidelines it needed at the to-1, to come out even. Why would the time thanks to the Harmel report, named for a Belgian foreign minister. Today a Harmel II exercise is more legitimacy of nuclear deterrence. This needed than ever to restore consensus among Western democracies. Failing to act at this point, and thus continu-ing to leave the initiative to Mr. Gorbachev, would condemn NATO to slow but certain unraveling, and Eu-

Apartheid: An Exercise In Tyranny

By Anthony Lewis

N EW YORK — For all that out siders have learned about South Africa in recent years, they remain largely unfamiliar with the mechanisms of white control. How does agovernment that represents a small minority of the population actually exercise totalitarian dominion over the vast majority?

An exceptional insight into the tech-niques is now available. It is a report by the Lawyers Committee for Human Rights on what it rightly calls a tragedy of extraordinary dimensions the destruction of four black comminities at the squatter location of Crossroads, near Cape Town. The four communicies were burned to the ground in May and June 1986. Residents who tried to protect their homes were assaulted and shot. Fifty-three were killed and 70,000 were left homeless.

Even by South African standards it was an event of exceptional savagery. Yet the world has paid it little atten-tion, and the South African government has largely escaped responsibil-ity. The episode has been treated as an example of "black-on-black violence."
President Reagan said at the time: "It is blacks fighting against blacks because there is still a tribal situation involved there in that community."

What happened is that officials of the white government encouraged factionalism at Crossroads. They sup-ported a group of right-way vegiantes in attacks on opponents of apartheid. They armed the vigilances. Government security forces were on hand, helping, when the vigitantes attacked and burned the four communities.

All that is documented in the report in chilling detail. Legal organiza-tions in South Africa collected hundreds of statements from residents, doctors and other witnesses. They provide overwhelming evidence that policemen and soldiers supported the vigilantes and were themselves involved in burning and killing... Many witnesses described both the

vigilantes and the police as using an incendiary weapon that shot what looked like a grenade at the Cross-roads shacks. When it landed it would explode and there would be flames," one sworn statement said. Armored cars were in and around the shantytowns while they were destroyed. One man described bow he was attacked by five vigilantes with axes and clubs. He ran to a nearby armored car for help. When he reached it, "Four white men in blue" uniforms knocked me to the ground

and started kicking me." One of the confusing things about South Africa is that it has courts and an independent press - institutions that Western democracies rely on to prevent abuse of government power. Why do they not work in South Africa? Again, the Lawyers Committee report is informative.

After the first round of destruction first, and so far only, Indian nuclear explosion, at in May 1986, residents in one Cross-Pokharan in the Rajasthan desert in 1974, brought an intensification of the nuclear powers' efforts to went to court. The Legal Resources ties to make the bomb. Since the actual making of tion, produced massive evidence of the bomb is a relatively simple matter, this denial official participation in the destruction. The court, convinced, enjoined the army and the police from assist-ing, encouraging "or allowing" an

attack on the remaining community. What happened? The court order was simply ignored. Two weeks later the last of the four communities was destroyed. And, the report finds, "the participation of the security forces as even more blatant."

The police and the army did them. best to keep the press from seeing abuses. Journalists were bratally altacked. A cameraman, George De Ath, died of injuries from a vigilante attack. A colleague charged that the police failed to help him promptly as he lay: bleeding before them. And the Crossroads events were before the realcrackdown on the press. Present ener-gency regulations forbid journalists-even to be present at any violence.

Crossroads is a particularly telling example of the human realines of apartheid. Black families put up their pathetic little shacks there in the first. place because the rules of aparthaid barred them from legal residence in the whole Cape Town area, which was the only place they could find work.

The government wanted organity to remove the Crossroads settlement, because it was such a visible symbol of racism's cost. But too many people-were watching for a direct assault by buildozers. The solution was to act cow if the Swedish navy issues further through the vigilantes - and then

deny any part in the brutality.

The vigilantes have now been given official status. Their leader has anthore. ity in Crossroads. It is a new term aran old pattern of governance in South-Africa: divide and rule.

The New York Times:

providing for the introduction of modthat has successfully maintained Euroremized short-range missiles without rope to a very uncertain fate. remedying the long-range gap issue International Herald Trib pean peace for 40 years, namely a

India: Neither Yes nor No to a Nuclear Deterrent N EW DELHI — The U.S.-Soviet agreement on intermediate-range missiles has been welcomed by Indian leaders and newspapers as truly nistoric. Nevertheless, ari undercurrent di arxiet exists in the Indian establishment regarding its

implications for New Delhi's nuclear policy. Taken together with a bill approved last month by the Appropriations Committee of the U.S. Senate (but subsequently dropped) equating the nuclear policies of India and Pakistan, the INF treaty accentuates an Indian dilemma. The fact is that the contradiction in India's nuclear policy has become more acute, and until India resolves it by either going for the bomb or forswearing it, its position will become increasingly awkward.

So far, India has reacted to pressures by reiterating its opposition to the Nuclear Nonproliferation Treaty and has strongly objected to the Senate move equating the Indian and Pakistani nuclear programs, as also to the linked penalty for India of

the threat of denial of high-technology items. The point of the American exercise was to try to resolve an American dilemma: how to promote stated nonproliferation policies while continuing to overlook, for strategic reasons, Pakistani attempts to make the bomb. That the Senate committee found a solution seemingly at India's expense is an indication of immediate U.S. priorities and of the fact that India's nuclear policies do not wash in America.

By S. Nihal Singh

open and peaceful while Pakistan's is clandestine and military-oriented. Despite American exasperation with Pakistan's devotion to making the bomb, Islamabad's contention has always had appeal in Washington: Let India and Pakistan agree to sign the nonproliferation treaty, or else let both agree to join international inspection of nuclear facilities.

India is on strong ground in arguing that to conceive of nuclear-free zones on a subregional basis is nonsense. America, for strategic reasons, has persistently failed to take into account the implications of the Chinese nuclear capability for India. The INF agreement is a nagging reminder that Washington and Moscow want India to sign the

nonproliferation treaty. India opposes it as discriminatory in favor of present nuclear powers whose resolve to seek nuclear disarmament is derisory. The answer to the first Indian argument is never fully spelled out. It is that there are the big guys and

the small guys and so it is in the world. The superpowers can now turn around and answer the second Indian contention with the INF treaty. India occupies an important place in the nonproliferation policies of the superpowers because it

is the only guest member of the nuclear club. The

deny the non-nuclear countries material and tacthwas coupled with political penalties. India's nuclear policy has been fairly consistent. It is that it will not make the bomb unless com-

pelled to. One of the obvious compulsions would arise if Pakistan made a bomb. But India has not given up its rights to exercise the nuclear option. Prime Minister Rajiv Gandhi has told President Reagan that India was not planning to make the bomb, despite further indications of Pakistani efforts to acquire a nuclear weapon capability.

Present American and past Soviet efforts have been directed at closing the nuclear option for India. The simplest method of doing so is to make India agree to sign the nonproliferation treaty. The implicit nuclear umbrella provided by the

Indo-Soviet treaty is in danger of springing leaks, with Mikhail Gorbachev's accelerated efforts to befriend China. This lends urgency to the need for reassessment of India's nuclear policy. The writer is a syndicated columnist and former

newspaper editor in India. He contributed this comment to the International Herald Tribune.

Messages to Namphy

for Soviet troops to withdraw.

repetition in Haiti of the quick, effective military intervention by which the United States set Grenada back on the democratic path. It is an option that has come to the minds of a lot of people, in the Caribbean and elsewhere, including many who criticized Grenada 1. Nothing else promises quick or even not-so-quick relief from the further misery and violence that hang over Haiti. But there is neither the regional treaty and appeal nor the legitimate national appeal for the United States nor the geopolitical rationale that supported the Grenada intervention. Nor is there a military force of the Haitian opposition ready to be launched into a battle of liberation. Are the United States and everyone else

then simply to wring their hands as General Henri Namphy, who destroyed the promise of the December elections, goes through with his evident plan to run his own phony elections on Jan. 17? Secretary of State George Shultz said on Thursday that he supports the statement by Haiti's Caribbean neighbors, meeting in Barbados, that General Namphy's arrangements for those elections are inadequate. But whereas some of the neighbors, responding to appeals by Haitian op-position figures, were prepared to denounce the results now expected to emerge on Jan. collective judgment on one another's elections does not have many takers. Haiti's neighbors are left attempting to draw General Namphy into the inevitable "dialogue" in which, theoretically, he would come under pressure to adopt their democratic ways.

This will seem to many people a remote

hope and a trick upon the long-suffering people of Haiti. Something firmer is needed not Grenada II, perhaps, but something more than "dialogue." Economic sanctions? There the possibilities of persuasion of the leadership must be measured against the extra privation that could be imposed on the population. It is this consideration that inclines Washington to limit its sanctions to the ones it has already declared against the government. These are not insubstantial: all military aid and most economic aid has been cut off, and only aid targeted directly on welfare for the poor still flows. And certainly the United States cannot consider lifting these sanctions if the elections are run in the expected Namphy style. But other states — say, Caribbean neighbors including Venezuela (Haiti's oil supplier), and even Canada and France - have their own openings to get a message through to this heir to the brutal Duvalier legacy.

-THE WASHINGTON POST.

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Directeur de la publication: Walter N. Thayer.

The East Wind Brings Sweden and Norway a Visitor

O SLO — Since there are so few of them and they live in the shadow of their Soviet neighbors, Swedes and Norwegians are extremely sensitive to the winds blowing from the East. The Gorbachev style and the Washington summit have again raised their hopes. Nevertheless, there remain some sizable obstacles to the friendly relations with the Soviet Union that most of them long for.
It would be hard to say whether the

Swedes or the Norwegians are looking forward more eagerly to sched-uled visits this week by Nikolai Ryzhdecessor, Alexei Kosygin, who visited Sweden in 1968 and Norway in 1971. Swedish officials leave no doubt about what is uppermost in their

minds. They are certain that Soviet submarines are operating in Swedish waters, and they want this to stop. Mr. Ryzhkov will find it impossible to give the desired assurances, since he maintains that there are no such operations. In a recent interview with a Swedish journalist he challenged the

Swedes to produce their evidence. Prime Minister Ingvar Carlsson has threatened to destroy the next foreign submarine found lurking in Swedish waters. There are doubts about the Swedish navy's ability to do it. The thing Soviet admirals would want is opportunity to try is unlikely to arise during the Ryzhkov visit.

Although there have also been reports of Soviet submarines in Norwegian waters, the question has never umed the proportions here that is has in Stockholm. Instead, the Labor government finds itself managing a politically sensitive proposal by the U.S. Navy to stockpile material for shins somewhere in Norway.

By John C. Ausland

The Russians have complained vociferously about the prepositioning of materiel for a brigade of American marines and eight squadrons of American air force fighters. So far, at least, Moscow has not made an issue of the navy proposal. For years, the Swedes and Norwe-

gians have shared the frustration of negotiating with the Soviet Union over boundary disputes. Oslo has been negotiating over the boundary of economic zones in the Barents Sea. kov, the Soviet prime minister. The last such high-level Soviet visitor to Scandinavia was Mr. Ryzhkov's precently, neither had much hope of reaching agreement during the Ryzh-kov visit, but last month the Soviet Foreign Ministry informed the Swedes that it wanted to get a move on.

The hurried negotiations which fol-lowed precipitated a debate in Sweden over linkage between the boundary line and submarines. Still, an agreement seems likely giving Sweden three-fourths of the disputed area.

The Norwegian-Soviet controversy is more complex. The Soviet navy, with its bases on the Kola Peninsula, uses the Barents Sea as an operational area for its nuclear missile submarines. These waters could contain a great deal of oil and gas. The last to have to pick their way through a forest of Norwegian oil rigs.

Foreign Minister Thorvald Stoltenberg of Norway discussed the boundary question with the Soviet foreign minister, Eduard Shevardnadze, last September in New York. Mr. Shevardnadze said that a compromise must be found. But there has been no flurry of activity similar to that with the Swedes.

The prospects for increased trade

Soviet trade with Norway has recently been increasing but trade with Sweden has been negligible. Mr. Ryzhkov's proposal to increase trade with Sweden will include a pitch for the Swedes to import Soviet gas. This offer will not fall on deaf ears. The Swedes aim to end their dependence on nuclear energy, which now pro-duces half of their electricity.

The trouble is that the Norwe-gians would like to sell the Swedes gas from their large deposits in the Norwegian Sea. Unable to compete with the Russians on price, they emphasize their political reliability. No visit by a senior Soviet official

could omit a touch of political theater, and Mr. Ryzhkov will bring along the perennial proposal for a Nordic nuclear-free zone. Since it is politically impossible for Danish and Norwegian leaders to oppose this, they are hiding behind a committee that is making a slow-motion study. So nothing will come of Mr. Ryzhkov's routine praise for the idea." The Norwegians are having more

difficulty with Mikhail Gorbachev's proposal for talks on naval activities in the Norwegian, Greenland and Baltic Seas, Defense Minister Johan Joergen Holst has expressed some interest in this, but Foreign Minister Stoltenberg has referred it to NATO. There has been little enthusiasm for the proposal in Brussels, particularly on the part of American officials.

Barring surprises, Mr. Ryzhkov almost certainly will seek to reduce-Swedish irritation by ending the dispute over the economic zones in the

tle for lesser agreements concerning the environment and safety at sea. Nothing basic will change, howevwill be discussed in both capitals. er. Even if the boundary question is settled, the Carlsson government will find it increasingly difficult to main-tain harmonious relations with Mosreports of Soviet submarine activity. And the Brundtland government in Oslo will continue to balance Norway's dependence on U.S. military power with its hope that Mr. Gorba-chev has decided to end the Cold War.

International Herald Tribune.

100, 75 AND 50 YEARS AGO

10]. All traffic on the river was suspended and trains everywhere were belated. All street lamps were lighted during the day; cabs crawled about with their lanterns burning. A man was found dead in the River Lea. near Clapton. He had walked into the river during the dense fog.

1913: Editorial Onoted

ROME - Great interest has been aroused here by the editorial in to-day's [Jan. 10] Herald on the one way of permanently settling the question of the Aegean Archipelago. The editorial was reproduced in full this evening by the Tribuna" under the title "A Proposal to the Point," with the following comment: "The admirable proposal of the Herald was doubtless

1888: London Belogged

LONDON — One of the most dense fogs experienced for years hung over London and the suburbs today [Jan. 10]. All traffic on the river was subnational question, and I do not see how it can be settled without the intervention of the Great Powers

> 1938: Ludlow Defented WASHINGTON - Mustering all its

available forces, including two Representatives in wheel chairs, the Ad ministration today [Jan. 10] succeeded in defeating the Ludlow was referendum resolution in the House by a vote of 209 to 188. A letter front President F.D. Rooseveli, read by Speaker William B. Bankhead a short. time before the vote, is considered to have been the decisive factor in its feating the proposal by Louis Lucione (Dem., Indiana) to submit to the states a Constitutional amendmentproposal of the Herald was doubtless dictated by an impartial review of the endum before the United States Baltic Sea. Norway will have to setsituation, and by equal friendship for could enter a foreign war.

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Opposition **Accepts Call** By Chun for **Unity Talks**

Compiled by Our Staff From Disputches SEOUL - President Chun Doo Hwan of South Korea and opposi-tion leaders have agreed to hold talks to discuss national reconcilia-

tion.
The chief presidential secretary.
Kim Yoon Whan, said Mr. Chun's meetings with Kim Young Sam, Kim Dae Jung and Kim Jong Pil were expected to be held this week. The talks, proposed by Mr. Chun, were scheduled to be held separately with each of the opposition lead-

On Friday, representatives of the governing Democratic Justice Party and the three opposition parties resumed talks for the first time since the Dec. 16 presidential election. The opposition has asserted that the governing party's candidate, Roh Tae Woo, fraudulently won the election.

The presidential secretary said Mr. Chun wanted a frank exchange stepping down on Feb. 25.

could be a significant signal that the opposition might be ready to end years of confrontation with the government and resolve its bitter

dispute over the election. Opposition spokesmen said the early release of political prisoners and the restoration of their civil rights and other democratic reforms should be taken up when the opposition leaders meet with Mr.

Mr. Roh earlier proposed meet-ings with the three Kims to seek national reconciliation while trying to defuse tension over the opposition's charges of election fraud.

The opposition so far has failed to present concrete evidence to substantiate the fraud charges, and there has been little public response to their calls for massive retalia-

Mr. Roh won the election with 36.6 percent of the vote. Kim Young Sam finished second with 28 percent and Kim Dae Jung finished third with 27 percent.

Dae Jung for splitting the opposition support by failing to put up a ly on heavy, long-range ballistic likely conflicts."

unified front.

Algorithm

In the final days of his sevenyear term, Mr. Chun has begun to reveal some of his thoughts on power, democracy and prepara-tions for life outside the Blue House, South Korea's official resi-

In an interview published in the major newspapers, Mr. Chun described himself as a patient man who refrained from using force to queil social unrest, and as a misunderstood ruler who was angered when opponents continued to chal-

lenge his legitimacy after he decided to step down. on Feb. 24, Mr. Chun revealed that system required considerable addia ar arms. final days of his rule why President

gle-term office has become a reali- Foreign Ministry official said. ty, attacks on me have even more

power from anger." "In a country like ours," he said,

general, also said he "had to exert weapons in violation of the treaty. much patience. There were many

bilization of troops in the past.

the presidency. (AP, UPI, Reuters) nating chemical weapons.

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Red Cross medics taking one of the Iranian hunger-strikers to a hospital on Sunday

Paris Hunger Strike Turns 'Critical'

By Barry James International Herald Tribuna

PARIS - Forty Iranian demonstrators entered the sixth week of a hunger strike here Monday to seek of views with the three Kims before the return of 12 compatriots expelled by France to Gabon, and proposed high-level talks doctors warned that several had reached "a critical threshold,"

Ambulances took nine of the

bon, on Dec. 8, most of whom have formal refugee status in France, are they will starve themselves to death also staging hunger strikes, as are some Iranian dissidents in Washington and London.

The conditions of the hunger strikers were not immediately known. fears of irreversible accidents in the days to come." days to come. The protesters, who have subsist-

since their action began, say that unless the French government re-

admits the Iranians, The Iranians were expelled A medical committee, members shortly after France concluded a of which have been examining the diplomatic agreement with Iran-hunger strikers daily, issued a After the agreement was reached. hunger strikers to Red Cross hospi-warning that the condition of some two Frenchmen held by Iraniantals on Sunday, bringing to 14 the of the Iranians "has now reached a backed militias in Beirut were renumber of Iranians hospitalized. critical threshold and gives rise to leased, leaving three still hostage.

REPORT: Panel Sees Need for Smaller Nuclear Arms

(Continued from Page 1)

heads, he said, had already drastically decreased the amount of nuclear explosive power in the superpowers' arsenals. "From their peak in the 1960s, they have fallen by more than the amount that would be eliminated by the 50 percent cut in existing strategic weap-ons being negotiated right now," he

But this trend might also bring

often contended that "nuclear war- a news conference televised to U.S. fighting" ability is needed for the embassies Tuesday were canceled United States to have a credible after Secretary of State George P. deterrent, this report presses the case for new technology by saying that missiles can be made accurate

Shultz objected that U.S. allies might be offended.

The report seems likely to simul-

No Pact Foreseen

(Continued from Page 1)

Park Chung Hee clung to power for spection regime," a U.S. official by the superpowers (and soon by 18 years before he was assassinated said. "Given all the problems," he other nations) means that small nusaid, it seems unlikely that the ac- clear warheads are liable to be used

"I often wondered how he could cord can be concluded this year. in warfare because they would not hold such a painful job for so

A Western diplomat said that cause massive damage. This view long," Mr. Chun said. "Last year, I

Mr. Genscher had "gone out on a challenges the view in West Germagot a hint for the first time why he did so."

In the first time why he did so."

In the first time why he limb with his comments, and he predicted that Washington and the pred predicted that Washington would countries that nuclear weapons He added, "I thought that the not back down "Genscher is going should only be used as a catapeople would highly appreciate my to run into a brick wall on this strophic last resort.

Mr. Chun said, "As my commit- State George P. Shultz in talks in Strategic Defense Initiative, must ment to depart after ending a sin- Washington on Jan. 21, a Bonn be paired with new long-range of-

intensified. Frankly speaking, in Eduard A. Shevardnadze, seemed Western thrusts deep into Eastern face of such a situation, one would to remove one of the major dis- European territory, U.S. counterinhardly feel like readily giving up putes in a speech in Geneva in surgency help to allies must be ciple of the need for inspectors to to anti-Communist insurgents of sions on relatively short notice and "it requires a lot more courage to give up power than to grab it."

have the right to visit sites where a the sort provided by the Reagan country believed that a rival might administration in Afghanistan and Mr. Chun, a former four-star be storing or producing chemical Nicaragua.

Since then, however, the Rus-

The question of Mr. Chun's le- They have said the planned scrapgitimacy as a ruler has plagued him ping of intermediate-range missiles since Dec. 12, 1979, when, with under the U.S.-Soviet treaty signed backing from General Roh, he Dec. 8 makes it even more imporstaged a coup and began his rise to tant to achieve progress on elimi-

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to provide the same long-range ca- cal war in Europe that the Pentapabilities as nuclear weapons do gon spends more than half its bud-

Strongly anti-isolationist, the report calls for the United States to the Soviet Union would probably pursue high-technology advantages be able to increase theirs." Mr. Ikle in nuclear and conventional weap- said. ons and to develop special forces to defend friendly Third World regimes and help overthrow Commu-

The report says that the Western limited nuclear strikes intended to alliance has overemphasized the forces are losing well-located facili-knock out crucial targets without threat of an all-out war with the ties. triggering a massive reprisal, the Soviet Union in the form of a masreport argues. The West, it says, sive conventional assault in Europe ting U.S. or British forces stage Many opposition supporters must turn to these "politically us- or of a doomsday nuclear war blamed Kim Young Sam and Kim able" nuclear weapons to maintain contingencies that the report calls deterrence instead of relying entire- "the most apocalyptic and least

Although U.S. strategists have controversial. Plans to explain it in

taneously reassure and irritate many current policy-makers in the United States, Western Europe and

the Pacific. Key findings include:

• The United States will depend on nuclear weapons as the primary basis of deterrence for the foreseced States believed that verification able future. This finding runs In answering a question on his of a chemical-arms accord was very counter to Mr. Reagan's emphasis resolve to leave office at midnight challenging and that a foolproof on finding ways to eliminate nucle-

"It is an extremely difficult in- nuclear and conventional missiles

transfer of power, although I have some demerits in the execution of state affairs. But the situation turned against my expectations."

one, the diplomat said.

Mr. Genscher said he considered the issue "quite important" and planned to raise it with Secretary of fenses, including the space-based (Continued from Page 1) Foreign Ministry official said. fensive missiles. The U.S. role in The Soviet foreign minister. NATO must include plans for August, when he accepted the prin-complemented by U.S. assistance

This overall strategy will antagonize opponents of SDL critics of photographs can be taken. crises which should have led to mo sians have been "parsimonious U.S. plans to expand its military with the details" on questions such intervention in so-called "low in-"What I hate most is to use as how much access inspectors tensity wars" and West Germans force, he said. "If one tries to solve would have, a U.S. official said, and other Europeans who are unproblems through use of force in Delays in a chemical-weapons easy with the idea that NATO

> the Warsaw Pact. The United States needs a mative communications in wartime.

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enough for conventional warheads conflict —including the hypothetiget preparing for -- we would probably start losing satellites and

> A growing "access gap" for U.S. forces to allied staging bases is highlighted. Soviet forces, the report says, have moved closer to likely areas of conflict while U.S.

"The shared risk-taking of letthrough Spain or the Philippines or France is at least as important as the financial burden-sharing that we talk about so much in the alliance," Mr. Iklé said.

• The United States should emphasize weapons that have a special advantage over the Soviet Union and may be able to nullify major Soviet defense investments. This echoes the philosophy of another new Pentagon study, entitled "Competitive Strategy," that recommends concentrating defense spending in areas such as high technology where the United States has

a competitive edge. For example, radar-eluding aircraft, incorporating Stealth technology, could "render obsolete" the Soviet Union's air defenses, the report says. As a corollary, the United States should not try to match the Soviet arsenal of heavy land-based missiles because of the U.S. domestic political difficulties of finding missile sites.

• Arms-control agreements should reflect the West's defensive needs, not just "engage Soviet leaders in a process" expected to reduce

PLANE:

(Continued from Page 1)

course, are difficult and expensive to maneuver and pass over given points on schedule. Anyone wanting to hide something need only

wait until the satellite has passed. The two-member crews of reconnaissance planes can be given miscan have their tasks modified while in flight. Decisions can be made on the spot such as circling over a target until the weather clears so

"We can tell the plane to go take a picture of something we want to see when we want to see it," an

The Strategic Air Command's running a nation it will bring many treaty are particularly unwelcome should make plans for offensive current fleet of strategic reconnais-adverse effects."

should make plans for offensive current fleet of strategic reconnais-action, even in self-defense, against sance planes includes the SR-71. the U-2 and two other types of aircraft. Their crews receive assignjor overhaul of its military satellite ments not only from the Joint program in space to ensure effec- Chiefs of Staff but also from the CIA and other intelligence agen-"In any kind of conventional

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ISRAEL: Gaza Strip Is Starting to Take On Some of the Look of Lebanon

"journalist" in Arabic month. up on the windshield of the taxi in Palestinian areas and came down

when soldiers were seen. "Sahafi! Sahafi!" the correspondents screamed out the windows whenever they approached the knots of young men. Usually, the esponse was a wave of welcome.

But, as the journalists made their way out of the Gaza Strip after dark, the car was surrounded by a mob of about a hundred young men in the poor, tough Shajaiye neighborhood of Gaza City. The youths pounded on the car. ripping open the doors and shouting angriuntil, after fierce debate among themselves, they let the car pass.

■ 2 More Palestinians Die Two more Palestinians have died, and at least 39 were wounded more troops and armored personnel carriers into the Gaza Strip, Reuters reported.

The deaths brought to 29 the citizens.

was checking the report.

into the Gaza Strip. Mr. Rabin, after touring the area will be the first to suffer.

(Continued from Page 1)

number of people killed in the untias. A cardboard sign saying sahafi

rest, which has entered its second diers and vehicles. The army said it and patience to adjust the number of our own forces and our methods The Israeli cabinet, meanwhile, Earlier, the army said Ismail Ha- of action to the circumstances. It is ndorsed Defense Minister Yiz- iil Abu Louli, 53, shot four weeks not a matter of a day or two, so

hak Rabin's "iron fist" policy, ago in Rafah on the Egyptian borwhich has drawn wide criticism.

Doctors said Toukan Musabbah, 35, died at Shifa Hospital in Gaza after being shot at his shop in the derived another infantry brigade better get back to normal life because the longer this goes on, they

SUMMIT: Gorbachev Renews Bid to Meet With Deng

after being shot at his shop in the

Shajaiye district, where protesters

cow's curiosity about economic and political changes in China. said, "We are greatly interested in reforms of the economic mechanism and political system currently under way in the People's Republic of China.

Under Mr. Gorbachev, the Soviby army gunfire on Sunday in et Union has begun a series of widespread unrest as Israel poured steps, some similar to those in China, aimed at reducing central control over the economy and govern-ment interference in the lives of

December, may be linked in part to Mr. Gorbachev's efforts to resolve the conflict in Afghanistan.

China, which has provided aid to Afghan guerrillas, is likely to play a role in ending the war. Mr. Gorba-chev may have felt that a renewed call for improved relations with Beijing was advised before resum-ing diplomatic efforts to resolve the

> Eduard A. Shevardnadze, the Soviet foreign minister, visited Af-

The timing of the interview, con- ghanistan last week as Moscow apdown its involvement there.

Mr. Gorbachev has often used interviews with foreign news organizations to launch diplomatic initiatives or to signal heightened So-

viet interest in a particular relationship or part of the world. The interview in Liaowang sugsted that, following his visit to. Washington in December, Mr. Gorbachev was ready to turn his attention toward improving ties

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Painful Lessons In Privatizing

How They Fared Gobain: Panbas -21% CGE : -26% Societe Generale -27% -15% -18%

ine Deneuve and Prime Minister Jacques Chirac are learning, privatization can be a very risky business. Miss Deneuve, one of France's premiere film stars, received her lesson last fall, after she had appeared in television commercials on behalf of Compagnie Finan-cière de Suez, charming I 6 million French investors into buying shares in the government's 11th privatization effort. Two days later, Black Mon-

days later. Black Mon-day arrived around the world's stock markets. As a result, when Saez stock eventually began trading three weeks later, investors, who had paid 317 francs per share, were suddenly facing an opening price of 261 francs, an 18 percent paper loss. Cartoonists had a field day. One depicted Miss Deneuve, all bruised and battered, exclaiming in reference to the advertising campaign theme, "I said you should think about Suez, not that you should buy

Mr. Chirac finds himself in a similar position as a result of last fall's market plunge, except that the stakes in his case are much higher—the presidency. Since becoming prime minister in April 1986, Mr. Chirac has made privatization the backbone of his government's economic liberalization policy. The program was to be the shining success Mr. Chirac could point to in his bid for the presidency in May. But most of those new investors in the stock market are likely regretting their purchases and, some analysts believe, could also carry some of that bitterness to the polls. By year end only four of the 11 stocks were still showing appreciation over their issue prices. An investor who bought the maximum allotment of shares in each privatization would have suffered a loss of 1.915 francs, or 9.5 percent.

Analysts believe this fact will stand in the way of any additional significant privatizations, at least un-Mr. Chirac finds himself in a similar position as a

Analysts believe this fact will stand in the way of any additional significant privatizations, at least until after elections. Meanwhile, the outlook for the 11 stocks already in the public's hands is mixed.

Susanna-Hardy, an analyst with James Capel & Co. in London, says Saint-Gobain, the first company to be privatized, in December 1986, will also do well in 1988. She predicted that earnings per share for the glass and building materials group this year will hit 60 francs, versus, stock finished, the year at 415. Saint-Gobain stock finished the year at 415.5 francs, 34 percent above its initial offering price, but still 20 percent below its 1987 high.

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NALYSTS also expected media stocks Havas and TFI to outperform the market. Bertrand Coste a media analyst with Phillips & Drew, says Havas, the advertising and media brokerage group, would be protected in the event of a recession. He said it would also continue to profit from the success of Canal Plus, the pay-TV station in which it has a 25 percent stake.

Mr. Coste projects 1988 earnings for Havas of 31.7

francs, against 27 francs last year and 20.9 francs in

TF1, France's top TV station, is profiting from the failure of another new private station, La Cinq, to garner its projected audience. As a result, Paris broker Cholet Dupont expects TF1's advertising revenues this year to hit 38 billion francs, 600 million francs more than originally estimated.

The irroker's analysts project earnings for TF1 this year of 3 francs, rising to 3 francs in 1989 and 12 francs in 1990.

Analysts are pessimistic about the outlook for privatized companies in the financial sector, particularly Paribas, Societé Générale and Suez.

CGE, one of the worst performers of the privatized stocks in 1987 with a 26 percent decline from its mitial price, could also have a rough time in 1988, as foreign investors have widely abandoned it. Ms. Hardy projects the electricals and publishing group will have 1988 earnings of 28.2 francs, up from 23.9 francs in 1987 and no earnings in 1986.

Although individual shareholders, for the most

part, have not sold their investments in the privatized part, have not sold their investments in the privatized companies, a question mark remains over how long they will hold out. Some analysts expect a flood of selling later this year, after investors receive free shares that the government promised to investors who held on to their stock for 18 months. The first free shares will be awarded in July for original subscribers to Saint-Gobain, followed by Paribas and Sommel

Jacques Neher

UPDATE

Currency Funds

NVESTORS who keep score in dollars did well in 1987 to put their cash in some other currency. One measure of how well is the performance of offshore currency funds, which are essentially money market funds denominated in various currencies. The funds offer a comparatively easy way for investors to speculate on foreign exchange moves.

Offshore currency funds whose assets are in year

offshore currency funds whose assets are in yen returned an average 30.7 percent in dollar terms last year, according to figures compiled by Lipper Analytical Services. Dentsche mark-denominated currency funds returned 23.8 percent, and sterling funds were up 28.5 percent. By way of comparison, the return on three month U.S. Treasury bills in 1987 was a scamt 6 percent.

But even the most committed dollar pessimists say that the U.S. currency is probably around its lows after its December slump, and many have increased their dollar exposure. A year ago, Guinness Flight's managed currency fund, which tries to exploit forcign-exchange shifts to maximize its share value, had virtually no dollar exposure. Now the fund allocates 25 percent of its assets to the dollar, 20 percent to the mark, 10 percent to sterling and 45 percent to the

Since the middle of the summer of last year, we felt that to adopt such an extreme position was no longer entirely appropriate," says Phillip Saunders of Gunness Pight. "We still face some unpleasant problems with dollar adjustment, but quite a lot is

New York's Apartment Market Gets the Jitters

In London, ripples from the crash are surprisingly absent.

By Marybeth Nibley

HE BRITISH have a word for it - ga zumping. The term applies when the seller of an apartment or home, after agreeing to a sale, entertains and accepts another, higher

Gazumping has grown common during London's real estate boom as sellers make the most of a hot market. But after October's debacle on the stock exchange, buyers may see less of such tactics, real estate agents say.
"There's no doubt with the stock market crash the

property market has suffered — if only through ner-vousness," commented Nick Adams at the Chelsea office of Jackson-Stops & Staff.

But while the game may be tipping a bit in the buyer's favor, there are few signs that the rise in prices for prime apartments is slowing. Property in exclusive areas, such as those clustered near Hyde Park like Belgravia, Knightsbridge or Mayfair, probably will sell easily at increasingly higher prices, estate agents say. Sales may be more difficult in slightly less desirable and the more difficult able neighborhoods.

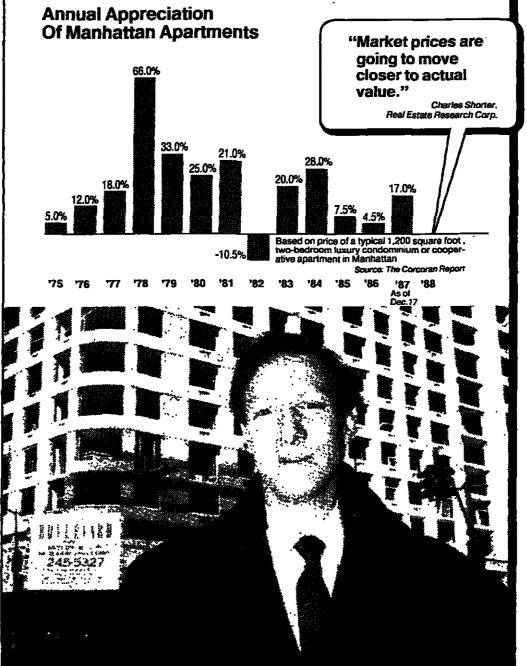
In fact, observers seem almost puzzled that the property market has done as well as it has. Tim Walker, deputy chairman of the Henderson Unit Trust Management Ltd., who guides the Prime Residential Fund, says: "It's very difficult to crystal-ball gaze in this particular market. To a degree, it's going to be affected by the level of confidence generally, but the ripple effect has been far less than anyone has

London's historic role as an international business center helps prop the market even in uncertain times. But more importantly, accommodation in London seems cheap by Tokyo or Manhattan standards. Helping out in recent months has been a decline in interest

One area that has provoked concern is the Docklands, an 8 1/2-square-mile (22-square-kilometer) area that in many parts resembles a vast building site.
"It's popular right now to knock the docks," says
Kevin Ryan, director of Harrod's estate offices. Cutics contend the Docklands contain an abundance of residential properties that may become a burdensome glut if speculative interest dies out.

Docklands developments have attracted speculators who have bought in ahead of completion on the

Continued On Page 8



Developer Bruce Eichner sees a shortage in some housing sectors by 1989.

Financial sector layoffs undermine buyers' confidence.

By Leslie Whitaker

NLY A WEEK and a half after Franklin Speiser, director of residential sales of Sulzberger-Rolfe, sold a \$480,000 twobedroom condominium on Manhattan's East Side to a "quintessential yuppie couple," they called him with disturbing news.

The young professionals, both employed in the financial services industry, said they had to sell the home they had purchased in December. Unsure of the future they falk it may time to mine each

future, they felt it was time to raise cash.

Mr. Speiser's clients are typical of the highly paid Wall Street employees who were courted by New York's real estate developers during the last few years. Most of the units constructed in the last two or three years were designed specifically for individuals benefiting from the securities boom. Often, they were smaller units outlitted with amenities such as skytop lounges and health clubs.

The Oct. 19 stock market debacle shook investors in most markets, and real estate was no exception. As securities firms suffer the aftermath of the stock market's historic plunge - with thousands stripped of year-end bonuses and jobs — their financial misfor-tune jeopardizes the demand for the luxury residences that have crowded Manhattan's skyline. Even the market for apartments fetching seven-

figure prices has been affected, though to a far lesser extent. "Eight months ago, I sold a \$6.5 million apartment on Fifth Avenue at the full asking price in a week," says Gayle Morgan, an independent real estate consultant. "Today, I could get pretty close to the asking price, but it would take a month or two."

For most of last year, brokers were celebrating. Prices were climbing faster than they had in 1986; commissions were high. But the 508-point plunge in

the Dow Jones Industrial Average sent a sudden chill through the real estate market.

In Manhattan, where property transactions are traditionally sluggish from Thanksgiving through January, they slowed to a crawl. The sales volume of luxury condominiums was off by 40 percent from a year earlier during the last two weeks of October, and down 30 percent in November, according to a study done by the Corcoran Realty Group.

"Those in the process of looking all stood still," says Barbara Corcoran. "It was less a loss in portfolio than

a lack of confidence on the buyers' part."

How long the prevailing mood will last is uncertain.

Continued On Page 8

Keeping an Eye On the Insiders

By Cynthia Catterson

AST YEAR, it dominated headlines and cocktail party banter, and even inspired a major motion picture. Yet, to many analysts and money manag-ers, insider trading is hardly the kind of topic that justifies sensationalism. Market watchers have been moni-

toring insider transactions for years in the belief that certain moves made by corporate officers can be both a barometer of market sentiment and a useful tool in predicting the future of individual companies. And it is perfectly legal.
Unlike illegal insider trading, where

insiders are prohibited from profiting from nonpublic information about specific deals, contracts and negotiations, the Securities and Exchange Commission permits corporate offi-cers, directors or anyone who owns at least 10 percent of a company to act on general information about their com-

In turn, insiders must report their transactions by the 10th of the month following the trade. The information is then made public by the SEC. Moreover, insiders must hold their shares for at least six months and they are forbidden to profit from price declines

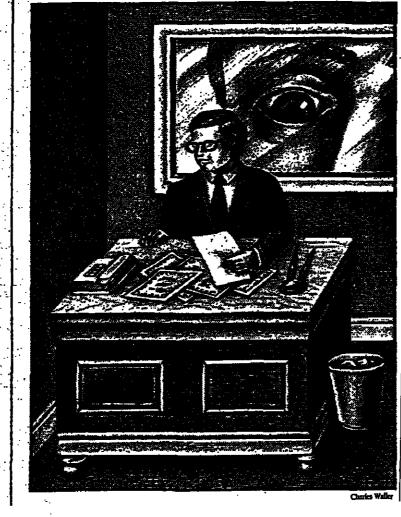
by selling short. Although professionals cannot guarantee that following insider moves will always lead to profit, a number of academic studies at such institutions as Yale, the University of Pennsylvania and the Massachusetts Institute of Technology indicate that stocks bought by insiders have outperformed the market. And those that have been

sold have underperformed it. Other university studies have con-cluded that investors who follow the actions of insiders can outperform the market by anywhere from 3 percent to

Edwin Buck, editor of Vickers Weekly Insider Report, a newsletter based in Brookside, New Jersey, beheves there is no better expert on any one company than those who run it. Corporate officers, he says, take into account price-earnings multiples, interest rates, balance sheets and then distill these factors. "Collectively, there is no reason why they can't be the best forecasters," Mr. Buck contends.

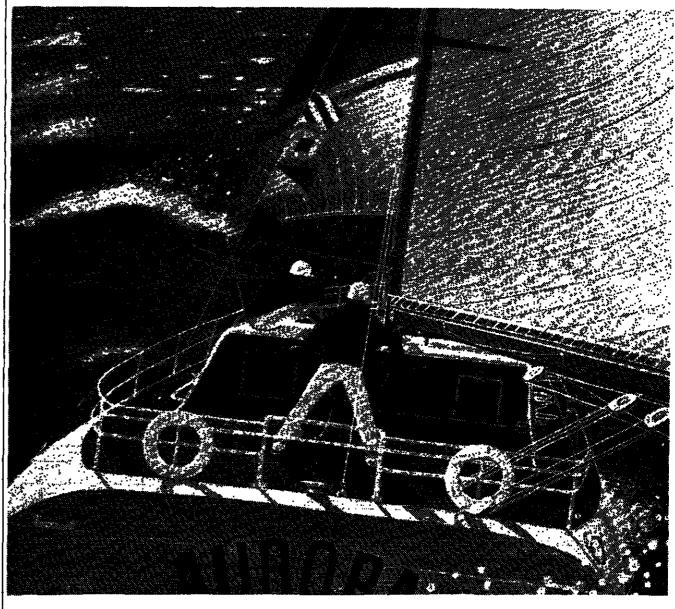
In 1986, for example, he watched

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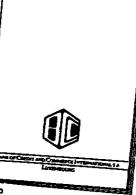
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REAL ESTATE

New York Apartments: The Market Stumbles

Continued From Page 7

Economists are still debating the likelihood of a U.S. recession this year. A major concern is interest rates, which may face upward pressure if the dollar continues to drop. Currently, mortgage rates are holding steady at about 11 percent, up 1.5 points since last

Not surprisingly, investors, who by some estimates have accounted for as much as 40 percent of condominium purchases in Manhattan in recent years, have been reluctant to commit themselves.

Many experts are hoping that the worst is over and that prices will stabilize. Ms. Corcoran believes residential real estate prices will continue to appreciate at about the same rate in the first quarter as they did

Other market experts are less sanguine. Lloyd Lynford, president of Reis Reports, a New Yorkbased real estate market research firm, predicts that Manhattan will lose 50,000 jobs through layoffs in financial services and related industries this year. That can't be good for demand," he says.

Moreover, analysts point to the 18,000 units that came on the market last year, a surge in supply that could postpone a significant recovery until 1989 or

A few analysts even are fearful of a drop in residential real estate prices in New York. The last time this occurred was in 1982, when there was an average 10.5 percent price decline brought on by a surge in interest rates.

Surge in interest rates.

Charles Shorter, senior vice president of the Real Estate Research Corp., notes that Manhattan real estate averaged a 12 percent annual appreciation during the last five years. "It was superheated. That's going to stop," he says. "Market prices are going to

move closer to actual value." Not surprisingly, a number of experts believe the

Co-op Vs. Condo

Roughly 80 percent of Manhattan's apartment market is made up of cooperatives Those who buy into a co-op own shares in the building rather than an apartment, with the number of shares determined by the value of an individual's apart-

▲ Co-ops cannot be resold or rented without the approval of a board that is elected by shareholders. There are no such residency restrictions when it comes to condominiums. As a result, co-ops are considered less liquid and generally less expensive than condos. - Co-ops. however, frequently require

large downpayments, sometimes as high as 50 percent or more of the purchase price. Because of the limits on financing. experts say co-ops have been affected less by the aftershocks of the stock market crash. Stnct financial requirements limit their purchase to well-established buyers. But some co-op boards, which must approve apartment buyers, have become more discriminating since the crash. The negative psychology has affected boards. says Marilyn Kaye, president of M L. Kaye. a luxury apartment broker. We have seen more turndowns at the upper end.

turmoil in the apartment market may spell opportunity for investors. Ms. Morgan, the real estate consultant, notes that there is great hesitancy among buyers looking for an apartment below \$1 million and that could affect prices. "For the next year or two, there are probably some good buys out there," she says.

Of course, price gains will vary according to location. Many analysts still believe that the Upper West Side stretching from the 70s to the 90s offers the best price potential. Likewise, Union Square is considered utractive as it experiences "gentrification."

But some experts worry that the previously chic

areas of Lower Manhattan may experience some difficulties because of the setbacks on Wall Street. So far, however, the 4,000 units of Battery Park City. near the Wall Street area and the new World Financial Center, seem to be selling well.

Experts agree that the residential real estate mar-

ket in New York will gradually recover after 1988. And the supply of available apartments should de-Construction contracts retreated to \$832 million in

1986 and \$854 million last year. Buyers currently can choose from about 4,000 apartments in 75 new buildings. But only 2,000 new condominiums are expected to enter the market for each of the next three years, according to Mr. Shorter. In light of Manhattan's 2 percent vacancy rate, "that's very little new product indeed," he says.

Bruce Eichner, a developer whose 353-unit condo-

minium, the Boulevard, at 86th and Broadway, will be put on the market early this year, notes that his project is the only new building on Broadway, a popular West Side location.

"The choices are relatively thin," says Mr. Eichner, who worries that construction has slowed so much that "we are facing a shortage of housing in the middle price condo and rental market in the third quarter of 1988 or beginning of 1989."

Analysts note that there is already a shortage of

prime properties, pre-war two-bedroom or larger apartments with appealing architectural details, solid walls and fireplaces. They have a semblance of stability and soundness, and continue to appreciate at a high rate," says Mr. Speiser.

Investors should also be heartened by a strengthening of the rental market since Oct. 19. The ability

to generate rental income is a critical consideration or nonresident buyers.

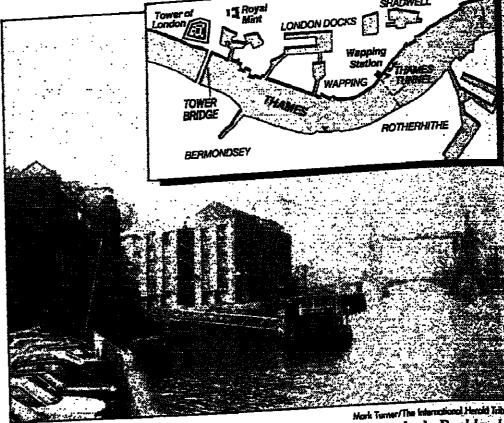
"People are opting back to renting until the economic People are opting back to renting until the economic People are opting back to renting until the economic People are opting to the people are o

my takes a more definitive direction," says Russell Newman, vice president of S.J. Landau, developer of the Vogue, a luxury rental building that opened 16 months ago. The Vogue, which has 320 apartments, is 97 percent rented. And other rental projects are in the

The steep decline in the dollar has already convinced many foreigners to re-enter the market. 'We've had great success in the past month or so selling to foreigners," says David Bates, senior vice president for Sotheby's International Real Estate. In particular, he says, the Japanese, who have been

conspicuous consumers in the commercial market, have also been big buyers of residential real estate in New York. And the number of brokers and developers courting foreign buyers is growing. Mr. Eichner, the devel-

oper, says he has already made several marketing excursions to Europe and Asia. The Sunshine Group, which markets 30 East 85th, the most expensive building in Manhattan, with prices as high as \$1,800 a square foot, plans to open satellite offices in Geneva, London and a Far Eastern city by year's end.



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Looking toward Tower Bridge from a development in London's Docklands. London: The Ripples Are Few

Continued From Page 7 assumption that the resale value will give them a tidy profit. The size of this "futures market" is hard to

Ironically, one of the highly touted features of the Docklands, its proximity to the City of London financial district, may be a factor in its vulnerability in the wake of the stock market slump. Although their importance to the Docklands is undoubtedly exaggerated, young, single people working in bank-ing, brokerage or other City professions are considered a vital element in the pool of potential buyers. Estimates that as many as 50,000 city jobs may

disappear due to the crash have not gone unnoticed. Prime Docklands sites, particularly close to the river and therefore closer to the City, will fare well and fetch higher prices. A new Docklands twobedroom, two-oathroom flat with modern conveniences and a river view was listed in a recent estate agency magazine for \$250,000.

Stephen Krause, with Clapshaw's estate agency in the Docklands, says such a property could realisticaliv command that price. But further afield, agents may find themselves needing to home their selling techniques and developers may have to accept slightly less than they thought they would.

"It's not going to be the nasty approach anymore
— we're the agents, you come to us," Mr. Krause
says. "The agents will have to bring people in. It's going to be a very difficult year.

Dominic Grace, of the Saville estate agency, says the Docklands had become a frenzied, overheated market with properties being "traded almost like sacks of potatoes.

"From now on, more natural and normal forces will be operating." he says. His firm, like others, has experienced some withdrawals. "It was inevitable that, with the stock mar-

ket crash, some people weren't as rich as they thought

of these withdrawals has been negligible, estate The resilience of the real estate market has confounded professionals. Housing prices not just in affluent London but throughout the United King

dom, have been running far ahead of income growt with dwellings costing in some cases more than so times average earnings.

Barry Bissett, housing statistics manager at Nationwide Anglia building society, says that in the judgment of mortgage lenders, a more reasonable

relationship between housing price and income is 3 to At the Halifax building society, research manager

lan Lumsden says there is no sign that first-time buyers, who would be most apt to feel the income pinch, are being priced out of the market Firsttimers are believed to be pooling resources or relying on inherited funds to meet down payments. Mr. Lumsden says Halifax, the biggest British

mortgage lender, had expected a moderation in 1987 house price rises, but it did not occur to any significant extent. In greater London, the prices of houses and flats rose 23 percent in the fourth quarter of 1987. from the corresponding 1986 quarter, compared with a 25 percent rise the previous year.

According to the agents, the perferred flats are ones with at least two bedrooms and two bathrooms with a relatively long lease in a fashionable location. For those, buyers should expect to start at £250,000.

The term of a leasehold depends to some extention the neighborhood. A term of 50 years on a Mayfair property may be considered long, whereas in Kensington, a 75-year leasehold would be deemed by sufficient duration to warrant a considerable suis, estate agents say.

At the end of a lease, the property reverts to the owner of the freehold, perhaps a wealthy family of charity, unless an extension has been negotiated. The vast majority of London property is leasehold and the rest is held "in perpetuity" by the owner of a they were. Some deals have fallen out of bed or had to be renegotiated." Mr. Grace reports. But the number

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Taking Cues From Company Insiders

Continued From Page 7

closely when a total of 14,400 shares were purchased by seven top-ranking managers of Black and Decker, including the president, Nolan D. Archibald.

The future of the electrical appliance giant looked bleak back then, says Mr. Buck. The company was undergoing costly streamlining efforts and was having trouble digesting its acquisition of the kitchen appliances division of General Electric. Management was being restructured and the still strong dollar was hurting the company, which has 50 percent of its business in exports.

Encouraged by insiders' confidence, Mr. Buck recommended the stock in October 1986, when it was at \$16.13 a share, and two weeks later at \$17.38. The stock went as high as \$26.50 last August. At current levels of about \$15, the price range where insiders bought last year, Mr. Buck is once again heavily recommending this stock.

"They have resolved all their problems of last year, and the dollar is weak," says Mr.

Insider purchases traditionally have been considered more reliable signals than insider selling, observers say. An insider can sell for a number of personal reasons. But Paul Simmonds, director of research at the Institute of Econometric Research in Fort Lauderdale, Florida, which publishes The Insiders, says insiders buy for only one reason: "They believe they can make a profit."

In the past, the ratio of insider sales to purchases typically was about 2 to 1. However, the market crash in October set the stage for unprecedented buying. Since the crash, analysts report the ratio reversed to as high as 11 to 1 in favor of buying. Nowadays, the ratio averages about four buys for every sale.

"Insiders saw their stocks knocked down,

even though business is good and profits are rising, so they took advantage of bargains," says Herb Messing, publisher of The Insiders Chronicle, a newsletter based in Boca Raton, Florida.

For optimists, the insider shopping spree translates into a bullish outlook for the market, but some warn that investors must monitor this activity with a discerning eye. Just because there is insider buying does not mean the company is a bargain.

"I take the buying as a vote of confidence but we have to wait a bit for the dust to settle and get a more normal-looking market after the first of the year, says William Mehlman, editor at The Insiders Chronicle.

Barry Unterbrink, editor and president of Consensus of Insiders, a Fort Lauderdalebased weekly newsletter, has remained wary since October. Before the crash, he had been recommending that portfolios have 50 percent invested in insider-supported stocks. He has since reduced his position to 15 percent.

Other insider experts feel less cautions. "You only have a crash once in a lifetime, take advantage of it," says Mr. Buck at Vickers. Experts warn that insider selling can be a

misleading indicator because officers frequently sell blocks of stock for personal reasons not related to company performance. In addition, generous options plans at many of the large, blue-chip companies often result in frequent selling transactions among officers,

he says.

Still, selling can portend bad news such as poor earnings, slackening sales or delayed

Five to Watch

The Dec. 11 issue of the "The Insiders" newsletter gave five compar highest rating of 10 and recommended two for purchase. Ratings are based on several factors, including how many officers are buying or selling, how many shares are bought and sold, and the position held in the company by the trading



Harcourt Brace Jovanovich Inc.

Between Sept. 23 and Oct. 28, a total of 1.13. million shares were purchased by officers of this diversified publisher. Chairman William Jovanovich bought 515,000 shares at about \$8.75 to \$9 each on Oct. 16. There were no sellers during this period. The stock, an "Insiders' recommendation, was selling for \$7 on Dec. 31.

Between Oct. 18 and 26, 12 directors and vice presidents purchased 25,100 shares in this retailer, the other "Insiders" recommendation. Director Howard H. Kehrl bought 10,000 of those shares at \$29.50 on Oct. 21, increasing his holdings to 10,800 shares. There were no sellers during this period. The stock traded at \$27.63 on Dec. 31.

Dayton-Hudson Corp.

Six officers of this insuror purchased a total of 116,100 shares during October. The most significant buyer was Irving Schneider, a director. who bought 38,400 shares at \$5 to \$6.38 each. Bruce L. Sokoloff, a vice president, bought 5,000 shares on Oct. 2, when the stock was at. \$9.38, and 1,200 shares on Oct. 30 at \$6.50 each. There were no sellers during this period. The stock was selling for \$5.75 on Dec. 31.

Air Wisconsin Service

A total 23,100 shares were purchased between Oct. 21 and Oct. 29 by eight officials of this regional airline. Chairman Arthur G. Hailand Jr. bought 6,000 shares on Oct. 28, increasing his holdings to 118,000 shares. Two other officials sold shares during this period. The Dec. 31 stock price was \$9.75.

Shearson Lehman

Five insiders of this major brokerage and investment firm bought a total of 22,400 shares between Oct. 21 and Nov 10. Chairman Peter A. Cohen bought 15,000 shares at about \$15.38 to \$16.63 each. The other four buyers were directors in the firm, which recently acquired E.F. Hutton. There were no sellers. The Dec. 31 stock price was \$17.

takeover talks, especially when the selling is unusually heavy and done over a short period of time.

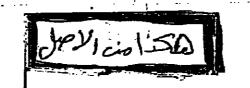
"If three or four officers are selling 40 to 50 percent of their holdings in the company within a two-month period of time, they know something serious is going on," Mr. Unter-brink says. "Those kind of moves are a good warning sign.

A classic example, he says, occurred in the summer of 1986, when a dozen directors and vice presidents at the retail chain Zayre Corp. began selling large blocks of shares when the stock was in the \$80 range and again, after a 2for-1 split, at \$38 to \$40. The stock subsequently slumped to about \$21 per share in October following poor third-quarter earn-

Not everyone is convinced that the road to riches follows insiders moves. Skeptics argue that the lag time between the insider trading and the published SEC reports can be as long as six weeks and that stock prices change king before investors have a chance to act on the information. Moreover, even insider enthus-asts lament the SEC's failure to enforce filing

And, insiders can be wrong. Insiders gave no indication that they saw the crash of October coming. According to Mr. Simmonds at the Institute of Econometric Research, buyers accounted for 48 percent of all inside trades for the 30-day period before the crash.

Few newsletters recommend a stock based on the insider actions alone. Rather, they analyze the transactions along with other fundamentals. damentals that could affect the company However, the insider move is given the prints ry point of reference.



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Assessing the Damage at U.S. Brokerages

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By David C. Lanchner

T WAS A tough year for broker-ages. Battered by insider trading scandals and the downturn in bond prices, and finally humbled by Oca's historic stock market collapse, the S. securities industry closed the books one of its most disappointing fiscal

Not surprisingly, brokerage stocks, bich were already out of favor for most 1987, mirrored the trend. Since Octothey have sunk more than 40 percent. e majority are now trading below book the for the first time since 1982.

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et down payments.

But for those investors who believe that the sector may have suffered enough, pink again. Although the stocks have leen skidding since November of 1986, nalysts warn that a number of these tocks have yet to test their lows.

James Hanbury, who tracks the sector or Wertheim and Co., is making no purhase recommendations, an extreme step but in keeping with the cautious approach being taken by virtually all brokerage innstry analysts.

The bottom line is that these compa ies are going to have to continue firing people left, right and center if they are really going to prepare for the various consequences of economic uncertainty,"

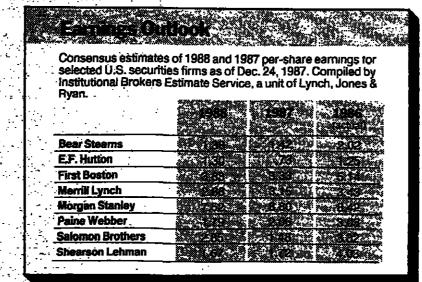
Mr. Hanbury says. His advice to owners of these issues: "Hold 'em and hope."

The biggest problem for analysts is determining which companies are best prepared for the vicissitudes of 1988. Most and seen their fortunes grow in line with the bull market that began in 1982. Coping with a flat market or the beginning of a bearish one is another story.

All agree that earnings from 1987 will be down, with a further drop expected in 1988. But whether retail firms or those that serve institutional clients will prove the better survivor in 1988 remains at the center of a lively debate.

On the retail side, volume in the equity markets is expected to be down dramatically this year. But increased bond fund and annuity sales at firms like Mernill Lynch and Shearson Lehman Brothers is expected to take up some of the slack. Whether these sales are sufficient to offset the loss of commissions on the

equity side remains a question, especially given the low profit margins of retail times. Michael W. Blumstein, an analyst with First Boston, believes the absence of traditional stock investors will hurt. "If you for retailers like Merrill Lynch, Paine Webber and Shearson," he says, "you no-



tice that when revenues turned down a little bit, the bottom line turned down a lot. High overhead at the full service retail

Industry observers generally agree that Shearson, on a long-term basis, is the most attractive buy among big retail brokers. It has a reputation for tight management and, more concretely, has the highest prof-it margin, roughly a full percentage point above the 3 percent performance turned in by fellow full service competitors in New

The company's November purchase of E.F. Hutton at a very attractive price of \$960 million, or 1.5 times book value, will

almost certainly result in some short-term reorganization expenses. But it should make Shearson large enough to enjoy sig-nificant operating economies when good times return to Wall Street.

Also on the retail side, analysts contend that regional firms like Legg Mason in Baltimore and AG Edwards in St. Louis are appealing as long-term buys, again because of high profit margins. While rev-enues are considerably smaller than at the large New York firms, regionals tend to have profit margins that hover in the 8 percent rather than 3 percent range.

When it comes to institutional brokers, bad news abounds. Underwriting activity

is expected to decline dramatically this year, with some analysts forecasting a 25 percent drop in new issues. Also, falling demand for junk bonds is expected to push sales of these securities down as much as 45 percent. The slim market for junk was exemplified recently by the failure of Salomon Brothers to find buyers for its high-yield Southland Corp. bonds, first offered last November.

Still, a number of analysts believe that institutional houses, where profits average about 10 percent of revenues, will fare better than their counterparts on the retail side, thanks to the fat fees generated by investment banking departments. Merger and acquisition activity, they contend, will make it easier for companies like Morgan Stanley, First Boston and Salomon to deal with a flat stock market.

Mr. Blumstein of First Boston cites low interest rates, low share prices and the decision by Congress not to tax merger and acquisition activity as harbingers of an upturn in mergers this quarter. "A lot of deals put on hold because of the tax issue should go through this quarter, bol-stering the finances of these companies,"

Morgan Stanley, the market leader in mergers and acquisitions, represents a sig-nificant value at its current price of 1.2 times book or 7 times its 1988 earnings estimates of \$7 per share, according to Mr.

Brenda McCoy, an analyst at Paine Webber, doubts that the takeover business will remain so profitable, given the uncertainty about the economy. But she rates Salomon Brothers a buy in part because of its tough reorganization plan, which was

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Resilience of the Discounters



ber market collapse, no retail brokerage experienced such precipitous drops in share price as the two publicly traded discount firms, Charles Schwab and Quick & Reilly. Both companies have seen about 50 percent of their equity value disappear since Black Monday. That news should come as

no surprise to investors aware of the discounters' almost exclusive dependence on brokerage commissions. Unlike their full-service competitors, they do not have a host of fixed-income and insurance products to boost revenue.

What should interest investors is that these stocks are expect-

ed to weather 1988 as well as, or better than, full-service brokers. The reason is big profit margins, which stand at about 14 percent at Schwab and 18 percent at Quick & Reilly. There are no resources to cushion a decline at the discount-

ers, but there also is no expensive infrastructure," says Doyle

Lyons, an analyst at Merrill Lynch. "I think the two wind up canceling each other out."

Ms. Lyons believes that Quick & Reilly, which traditionally sells at a premium to the industry, is an attractive long-term buy at 13 times 1988 earnings. The average multiple in the sector is

Michael Blumstein of First Boston believes that an industry-

Michael Blumstein of First Boston beneves that an industrywide drop in commission revenues will be less severe at the
discount brokers than at the full-service firms. Still, he recommends Quick & Reilly only as a "hold."

"Newspaper accounts about disgruntled investors who
couldn't get their orders through to retail brokers in October
were given too much importance," he says. "At Schwab, for
example, about 10 percent of the customers generate 80 percent of the business. A variety of [toll-free] numbers are used and it was only the inconsequential stock investor with a low priority number who got the busy signal."

Most analysts agree that Quick & Reilly is more attractive than Schwab. Perrin Long of Lipper Analytical Services ob-serves, "Everything at Quick & Reilly is tied to profit. If revenue drops, compensation, paid largely in the form of bonuses, drops." Data-processing costs, which are contracted out, will also go down in a slow period.

At Schwab, which went public last September, salaries are often fixed and cost of computer equipment and staff remains the same during both business booms and contractions. David C. Lanchner

The Promise and Peril of Spinoffs

By John Boland

management deinto is grand design for the future, one solution is to spin off the unit cides that a subsidto the company's shareholders. For the company, one advantage of suc a transaction is that unlike an outight sale, it would probably not be subject to federal income taxes But a spinoff can be per-plexing for investors.

"Yo have to look at each situation, says Jay R. Harris, a general partne at Goldsmith & Harris, an investment research firm in New York Adds Charles W. Neu-hause, an analyst with Bear Steam & Co., "The kinds of busi-nesses that get spun off are not those hat have a great stoxy to grab systoms attention."

Negrtheless, some investors believ spinoffs may be bargains in the irst days after their shares begin rading. Often, the issues have n following among brokers or analysis, Mr. Neuhauser says, and seles may dominate the early trading in lae 1986, for example, the

Singer o., focusing on its elec-tronics of military systems busi-nesses, pun off its sewing maholdersh its stock. The shares of the new unit, the SSMC Corp., quicklyplunged from the midteens it\$11.50, about 40 percent

of bookvalue.
"Peoje who had owned Singer as an acospace and defense company din't want anything to do with thisewing machine compa-ny," say Linell McCurry, an analyst witiButcher & Singer in Phil-adelphi: Within a year, however,

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Gold Model

Few deals THEN A corporate come with

SSMC's stock climbed to a high of

Still, many investors are wary. "Managers will spin off compa-nies that they know will have mafor problems in the future," says Roderick MacIver, who publishes the Contratian Research report He cited Fuqua Industries' 1980 spinoff of Interstate Motor Freight, which filed for bankrupt-

Some recent spinoffs have received low ratings from investors. One of them is Sprague Technologies, which the Penn Central

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Corp. distributed to shareholders last summer. The shares, which rose as high as \$20 in August and fell as low as \$7.125 in the October market panic, were trading around \$9 last week.

The price is apparently propped up by the company's offer to swap \$10 worth of bonds per share for up to three million shares. If the stock falls near its low after the swap, Mr. Neuhauser will be wait-ing. He believes the maker of electronic components could earn 75 cents a share this year, "and the stock should trade at \$12."

Goldsmith & Harris has recommended that clients buy Borden Chemical, a master limited part-nership that was spun off from Borden Inc. in November. That deal was more of an initial offering than a spinoff, because the partnership units were not distributed free to Borden shareholders. Instead, in an underwriting led by the First Boston Corp., Borden sold the partnership units to the public at \$10 each.

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The terms of the partnership appeal to Goldsmith & Harris. Payouts of at least \$1.20 a year are guaranteed by the parent company for the first five years. The 1988 distribution could approach \$2 a unit, says Philip W. Goldsmith, the other partner in the investment firm. The units traded last week at around \$12.

Stock sales of subsidiaries pose many of the same risks for inves-tors as other underwritings. A key concern is that underwriters may price a deal as high as the traffic will bear, perhaps higher than the fundamentals or the market will

Even before the market collapse, initial buyers of such 1987 spinoffs as Amax Gold Inc., formerly with Amax Inc., and the FMC Gold Co., spunoff by the FMC Corp., were barely even.
And the TJX Companies, a group
of retailers spun off by the Zayre
Corp., had lost 20 percent of its
initial price.

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banking and business community interested in attending the conference should complete and return the registration form without delay.

FEBRUARY 11

NEW INITIATIVES IN MULTILATERAL LENDING Antonio Ortiz-Mena, President, Inter-American Development Bank. SPECIÁL ADDRESS

Speaker to be announced.

BREAKING THE DEBT CIRCLE: WHY LATIN AMERICA NEEDS MORE THAN CURRENT DAMAGE LIMITATION MEASURES

Belisario Belancus, former President, Colombia Sir Jeremy Morse, Chairman, Lloyds Bank PLC, London FROM DEBTTO NEW FOREIGN INVESTMENT *Mauricio Garcia-Araujo, President, Central Bank of

Venezuela. DISCUSSION ON MORNING SESSIONS Luncheon

THEURUGUAY ROUND AND THE CHALLENGE FOR NORTH/SOUTH COMMERCIAL RELATIONS Arthur Dunkel, Secretary General, GATT, Geneva. Enrique Iglesias, Foreign Minister, Uruguay.

THE RESTORATION OF TRADE AND FINANCE FLOWS

Giuliano Amato, Treasury Minister, Italy.

Nicolas Ardio Barletta, former President, Panama.

Pedro-Paiblo Kuczynski, President, First Boston International DISCUSSION Cocktails

FEBRUARY 12

HOW THE COMMERCIAL BANKS SEE NEW DEBT

William Rhodes, Chairman, Restructuring Committee, Citibank, N.A., New York. Franz Lutoff, General Manager, Swiss Bank Corporation.

Richard Marin, Senior Vice-President, Bankers Trust

OPENINGS TO FOREIGN INVESTMENT
MEXICO: Gustavo Petricioii, Finance Minister
ECUADOR: Rodrigo Espinosa, Finance Minister
COSTA RICA: Fernando Naranjo, Finance Minister
DISCUSSIONS ON MORNING SESSIONS Luncheon

MULTINATIONAL COMPANIES' INVESTMENT PERSPECTIVES IN LATIN AMERICA: Jean-Jacques Faust, Délégué Général au Brésil et en Argentine, Compagnie de Saint-Gobain, Rio de Janeiro.

Gerrit Jeelof, Vice Chairman, Philips Industries, Eindhoven. CHANGING APPROACHES — BRAZIL'S PRIVATIZATION PROGRAM

Speaker to be announced.
PERU'S NEW FINANCING SCHEMES Guillermo Larco-Cox, Prime Minister, Peru. DISCUSSION Closing Remarks

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Spotlight Falls on Futures Funds

By Elena Bowes

New York FTER THE great stock market crash of October 1987 struck, investors counted themselves lucky if they emerged with only slight losses. By that measure, Paul Tudor Jones, a 33-year-old with a touch of Tennessee drawl and a deft hand at trading in the futures markets, would have to be considered wildly fortunate. While stock markets crumbled in October, Mr. Jones's commodities fund accounts soared 60 percent, after fees and ex-

Indeed, the Tudor Futures Fund managed by Mr. Jones's firm was up almost 200 percent near the end of 1987, a feat he attributes to the "flexible egos" of its traders. "They are paid to be objective," he says.

Whatever the reason, the Tudor fund's gains are the kind of performance that has put publicly traded commodities funds, long regarded as among the riskiest of investments, back in the spotlight Says Ken Tropin, a Dean Witter Reynolds Inc. vice president who is chairman of the Managed Futures Trade Association: "The numbers speak for them-

Morton Baratz, editor of Managed Account Reports, which tracks commodities funds, estimates that the average public fund gained 20 percent to 25 percent in 1987. Jay Klopfenstein, president of Norwood Securities Inc., a Chicago firm that monitors funds and manages the Norwood Hyacinth Fund. counts 76 vinners and 13 losers in the first 11 months of 1987. Of the winners, 54 posted gains of at least 15 percent, while 32 funds passed the 30 percent mark

Public commodity funds are typically structured as limited partnerships divided into \$1,000 units, with the minimum investment usually about \$5,000. The general partner oversees the raising of money and the administration, while the actual buying or selling of futures contracts and commodity options is

handled by the trading adviser. The funds deal in a wide range of futures and options contracts, ranging from traditional agricultural products, such as soybeans, to financial instruments, such as Treasury bonds and stock indexes. With the October stock market debacle still fresh in investors' minds, the funds have been stressing their ability to make money in both rising and and falling

Many managers scored big in October and November by taking funres positions that allowed them to profit from the decline in stocks and the simultaneous climb in foreign currencies. During 1985, when the price of oil plummeted from \$27 a barrel to \$12 a barrel, public commodity funds experienced one of

their best-performing years.

Mr. Jones, having profited handsomely from taking a negative view on stock index futures, is now "rampantly bullish" on shortterm U.S. Treasury bonds. His hunch is that the U.S. economy is more likely to be buffeted by deflation than inflation, and he sees recession looming

Christopher Funk, an adviser to several funds, including Thompson Financial Futures Funds 1 and 2, believes the dismal performance of the equity market will drive more investors into commodity funds. "People need



Paul Tudor Jones: 'Rampantly bullish' on Treasury bonds.

The Leaders	
Top performing lunds tracked by Norwood Securities Jan 1-Nov 30	0
Tudor Futures Fund	+195.3%
Palo Alto Futures Fund	+116.7%
McCormick Comm. Fund II	+108.9%
McCormick Comm Fund I	+102.1%
Boston Futures Fund III	+83.0%
Matternom Commodity Partners	+67.6%
Matterhorn Commodity Partners II	+66.6%
Commodity Trend Timing Fund	+65.5%
Commodity Trend Timing Fund II	+61.3%
Chancellor Fin. Fut. Fund	+59.8%

to look, see what happened in October, and open up their eyes." he says. "Cycles run both ways and people tend to forget that in multiyear bull markets."

Despite their racy image, commodities funds can play a useful role in a traditional portfolio, argues Scott Irwin, an economist at Ohio State University who has studied them. These funds tend to thrive in periods of economic uncertainty, while "the stock market hates it," he says. With commodities funds, "you are hedging against uncertainty," he

As always, selecting fund advisers with consistent track records is the key. Gilbert S. Meem, an investment adviser at Dean Witter Reynolds, would not consider any firm with less than a four-year track record; ideally, he would like to see 10 years of experience. Beware of the fund touting the "hottest, latest" managers, cautions Keith Campbell of Campbell & Co. in Baltimore.

Mr. Irwin recommends investing in a portfolio of three or four different funds. Commodities funds perform too erratically to tely on any single fund, he says. It is also a good idea not to concentrate on funds that have the

same trading approach, he says. Generally, commodities fund managers fall into two camps, technical system traders and discretionary traders. Technical system traders rely on mechanistic models to discern trends and signal trading opportunities. Generally, they follow several markets at once and take comparatively small positions in each.

Discretionary traders, such as Mr. Tudor's firm, rely more on individual judgments rather than any single research tool or trading methodology. They often take large positions in a few markets where they see pricing trends emerge. Conventional wisdom in the industry says discretionary traders frequently predict trends and technical traders follow them.

Mr. Tropin feels that technical system traders are more consistent in their results, while discretionary traders tend to show up at the top of lists of best performers, but not necessarily consistently. As Colin Barrows of Mint Ltd., a well-regarded fund management firm that specializes in technical systems trading, says: "There is always a fund which performs better than we do, but it is always a different

Some investment advisers recommend putting from 10 percent to 20 percent of a typical portfolio in commodities funds. But a riskaverse investor could invest as little as 3 percent to 6 percent of the portfolio in commodity funds and still have an effective hedge, figures Mr. Irwin.

If within three to five years the investment has failed to return at least 20 percent annually, then both Mr. Baratz and Mr. Klopfenstein would advise selling. Mr. Meem is a bit more lenient; his threshold over three years runs between 12 percent to 18 percent.

Mr. Meem adds that now is probably not a good time to invest. "Keep your powder dry," he advises. He would wait until the futures

December Market Scoreboard Second See Periodical Looks at Gold New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars Stocks PACO Pharmaceutical

Computervision Corp.

High Voltage Engineer A.H. Robins Co. Inc.

Computer Factory Inc.

Facet Enterprises Inc.

Pueblo International

Wickes Cos. Inc.

Дисоттип Inc.

Seaboard S&L

Patiex Corp.

Tricentrol Freemans

Dee Corp. BBA Group

Oxford instruments

Royal Bank of Scotland

Tokyo Stock Exchange:

Compiled by Morgan Stanley Capital Inte

George Wimpey

Pearl Group

Advantest

Hirose Electric

Aida Engineering Koyo Seiko

Daishowa Papei

Tokyo Rope Mig. Yokogawa Electric Tanabe Seiyaku Nippon Mental Industry

Uno Restaurant Corp.

Gundle Environmental Bush Industries Cl. A.

Over the Counter:

United Savings Bank East Weymouth Savings

Micron Technology Inc.

London Stock Exchange:

Compiled by Morgan Stanley Capital Inte

Wherehouse Entint.

Recognition Equipment

American Stock Exchange:

Environmental Systems

FTER RISING strongly in the first three quarters of 1987, gold shares went into a tailspin with the rest of market in October. But many of these shares have managed respectable recoveries from their autumn lows despite languishing gold prices. North American gold producers such as Echo Bay, American Barrick, Pegasus and Battle Mountain have risen between 12 percent to 20 percent since October.

By the end of December, the S&P gold-mining index reflected an impressive performance for the year, up 58.2 percent. In comparison, gold prices rose 20.1 percent while the S&P 500 gained a mere 2 percent for the year. The Toronto Stock Exchange Gold and Silver Index, a universe of 32 stocks, gained 41.9 percent in 1987 and the Australian Gold Mining Index of 15 stocks rose about 20.4 per-

Only South Africa, troubled by political tension and strikes at some of its mines, failed to snap back The Johannesburg Stock Exchange Gold Index, tracking 17 stocks that account for about 85 percent of the country's market, closed the year 11.9 percent below its Jan. I level.

Followers of precious metals acknowledge that gold shares hardly seem cheap compared with other stock market sectors. Yet, some fund managers and mining analysis believe investors can still find reasonable value in selected companies with strong fundamentals.

"All the worries about rising inflation and the world's financial problems that justified owning gold before the crash still exist today." says Daniel Roling, senior mining analyst at Merrill Lynch Capital Markets. For an investment hedge, he currently recommends Amax Gold, Heela Mining and Homestake Mining, all North

American producers. A strong "buy" recommenda-tion on a number of gold stocks has just been reaffirmed by Drexel Burhnam Lambert's gold analyst. Lucille Palermo. She believes the metal is likely to make another run at \$500 an ounce within the next six to nine months.

Her opinion in based in part on the forecast of Drexel's economist. Richard Hoey, who is looking for a 5.5 percent to 6 percent annual rate of inflation by the end of this year and 8 percent by late 1989. which would have a significant impact on the price of gold.

Inflation expectations aside. Ms. Palermo is optimistic about the growth potential of three North American firms: American Barrick, Echo Bay and Pegasus.

"Even if gold does not increase

Total Return for 12 Months

of 50 percent or better." Ms. Palermo figures. "The returns on equity are 20 percent and better."

She says the companies are increasing their output steadily and could grow at a rate of 20 percent to 30 percent even if gold prices are unchanged.

"I think that even if the market were to stumble or the economy muddles through, companies like this would stand out. The Drexel

analyst argues. Others take a more cautious view. Milton Berg, manager of the Oppenheimer Gold and Special Minerals Fund, has been selling gold shares. He sees gold companies trading at price-earnings mul-tiples of 30 to 40 times their estimated 1988 earnings, which in his opinion is grossly overvalued.

50 between gold shares and industrial-metal shares, such as copper, bave operating costs below current steel. "Gold shares are not a problems when the market deprices, allowing for gross margins screaming buy at current levels,"

Total raile hangasures both the changes in the prices of securines and fright aither in thirdends or interest. Gains or tosses were medicated by companion thair levels a year earlier. The chart does not take also are supply takes on the

he says. "The stocks have to get cheaper and I need to see strong evidence of inflation before I'll change my mind."

Short-term investors looking for bargains, adds Arch Spencer. manager of IDS Precious Metals fund, may have missed the boat. But buying opportunities still exist

Percent Price

Change Dec. 31

11.50

13.50

20.50 15.00 11.00

19.88

23.13

11.38

15.88 18.00

13.50

18.00 16.50 14.75

15.50

national Prices in yen

6.750 4,900 989 870 910 1,390 2,300 640

ional. Prices in pence

Oneok inc.

United Inns Inc.

Standard Brands Pt

Pay 'n Pack Stores Central Hudson G&E

Chemical NY Corp.

Manufacturers Han.

Grumman Corp.

Santa Fe Energy

Resorts Int'l inc.

Aircoa Hotel

Crowley Milner

Tejon Ranch

Amer. Income Props

Home Owners Fed. S&L.

BNH Bncshrs Inc.

Banknorth Group Inc.

Seaman Furniture Co. Badger Paper Mills

Northern Engineering Scottish and Newcastle

Welicome

Thorn-EMI

Burton Group

Japan Air Lines Yamaichi Securites

Onoda Cement

Mitsubishi Trust

Daiwa Securites

Nikko Securites

Kajima MitsubishiEstate

Nippon Kokan

All Nippon Airways

BET

Montedison ADR

for investors with a long-term view, he says. Mr. Spencer is waiting for some indication that gold prices will pass \$500 and would only buy

these shares if they decline some. He is keeping an eye on Australian gold producers Western Mining, Metana Mining and Niu Gini Their shares were hit the hardest during the crash, and haven't yet come back," he says. He warns, however, that investing in

Mr. Berg's fund is weighted 50the Australian market can be risky because it is a thinner, volatile significantly, these companies chromium nickel, aluminum and market that can have liquidity

These are some of the reasons why Hugh Twiss, investment manager of Save and Prosper's Gold Fund, has the majority of his fund invested in U.S. and Canadian mining companies such as New mont Gold, Amax Gold, Interna-

tional Corona, Royax and Ameri-

-25 -24 -22 -22

-22 -21 -21

-21

-19 -19

Percent Price

-28 -25

-20

-20

-18

-18 -17

-17

-17

-16

43 23

-17

-14

-13

-34

-25

-25

Change Dec. 31

16.75

15.88

10.13

12.50 17.25 21.38 21.50

17.25

14.50

13.13 15.00 11.38 21.25

12.75 11.25 23.75

17.25

506 96

208 160 368

220

223 533 174

128

12,800

1,290 590 2,500

1,500 1,300 1,320

1,520

266 1,620

can Barnck. "At the end of the day, the bulk of money that will move the markets will be in North America," he says. His fund has limited exposure to Australian firms and he avoids South African mining companies because of the political

Mr. Twiss advises investors who are bullish on gold to but now rather than wait for shaes to move a bit lower. In the god sector, he says, "there are more potential investors than there are

"If you try to be too dever, tunity," he says.

lada, e.

Last V

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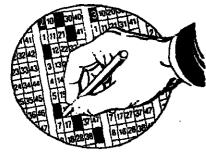
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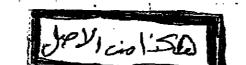
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Herald Eribune. BUSINESS/FINANCE

TO COMPUTER EQUIPMENT TOSHIBA

EUROBONDS

NDAY, JANUARY 11, 1988

Shower of New-Year Issues Doesn't Dispel the Clouds

By CARL GEWIRTZ

ARIS — For the opening week of a year clouded by a more than normal share of economic worries, the Eurobond market managed a surprisingly robust volume of 17 issues — making it easily the most active first week in the sis live years. Last year started with only 10 issues, and finished leady. The annual value of new issues fell 25 percent in 1987 to 141 billion, the first decline since 1983.

Bankers caution, however, that it would be exceedingly ambi-es to read into last week's figures any suggestion of what the it of this year might look like. Issuing activity since midber has been exceedingly light. And given the long dry

Because investors

iod over the year-end holis, there was a backed-up. and for money by issuers a pocket of demand for v paper from investors. The issuers, bankers say,

are tentative, bankers say that new issues ere drawn to the market be-use interest-rate alignments have to be priced ade it profitable to arrange generously. waps. The bulk of the activity as in European currency

aits and Canadian dollars. But by the end of the week, the three CU and four Canadian dollar issues appeared to have absorbed It the demand there was.

With investors taking a tentative attitude, bankers say that new mes have to be priced generously and tailored to appeal to ivestors. Thus, competitors gave Deutsche Bank high marks for tranging Austria's I billion DM bond. Size is currently in vogue

Barranging Austria's I billion DM bond. Size is currently in vogue is a big issue gives investors the comfort that trading will always be liquid. The Austrian issue was the largest single DM Eurobond is floated.

The 10-year maturity was a bit longer than investors prefer, but the terms were appealing: a coupon of 6½ percent offered at 100½. At the selling concession of 1½ points, institutional investors could pick up the paper at a yield equal to the recent government issue bearing a coupon of 6½ percent.

Foreign investors, anticipating the imposition of a withholding lax on domestic interest income next year, prefer sovereign Europaper to domestic issues. This explains why coupons on the lower than on domestic issues.

Y CONTRAST, Union Bank of Switzerland was criticized for the handling of the 75 million Canadian dollar issue for Household Finance, offered to yield 96 basis points over the yield on comparably dated Canadian government paper.

The paper ended the week at a discount of 1% points. But this was an artificial price, maintained by the small seven-bank syndicate and aimed at penalizing traders who had dumped paper at a discount of 2% points thinking there would be plenty if supply to cover the short sales.
UBS also set a low spread of 15 basis points over gilts on

Toyota Motor's £75 million of five-year notes, which were offered at 101 with a coupon of 91/2. It ended the week down 3 points, but the spread, UBS officials said, was held constant as the price of gilts had declined. Competitors say that trying to squeeze the fightest possible terms on new issues is an unwise policy at a time er investors are reluctant to commit funds.

Morgan Stanley scored a hit last week, offering on behalf of Nordic Investment Bank 1.5 million currency warrants to buy dollars at a fixed rate of 1.635 DM. Before falling back to that level, the exchange rate hit a midweek high of 1.6680 DM and the

warrants were a sellout — largely to German investors who have no domestic options market to hedge themselves in. The exchange rate has to rise to 1.76 DM to cover the 12% DM the week at 13% DM.

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The ordy dollar issues were two equity-linked issues from Japanese companies, Hokkai Can and Joshin Denki. They were both well received and traded at premiums, given the buoyancy

In addition, the market saw \$250 million of floating rate notes from the State Bank of New South Wales. This was the first dollar floater in some time not synthetically created by repackaging deep discounted straight bonds. The coupon was a realistic 3/16-point over the London interbank offered rate. Front-end fees lift

peant over the London interpant officed rate. From each ites interfee effective yield to 24% basis points over Libor, not far from the 4-point spread that was once standard.

While there was good demand for the notes, bankers said not many issuers would be prepared to pay that much for money when cheaper sources are available through swapping fixed-rate

The issue carries an initial maturity of 10 years, but at each fifth year holders are invited to extend for an additional five years. The State Bank has the option of raising the margin to entice holders to extend, but the margin can never be lowered.

All figures are as of close of trading Friday

	Stock Indexes		Money Bases	•	
	United States Jun. 8	Dec 31 Carps .		Jon. 8	Dec. 31
	DU inches : 1,971,30	1,938.83 1.42 %	Discount rate	6	6
	DJ URL 27 181.72	175.08 + 3.79 %	Federal funds rate.	6 13/16	7
٠	DJ Trens. 745.00	74886 0.52%	Prime rate .	. 8%	874
	S.S.P 100 - 233.89		Japan		
-	S.B.P 500 243.40	247.08 -1.49%		21/2	23/2
٠	S.S. P Ind - 280.57	285.86 -1.73%		345	272
	NYSE Co : 137.03		Cell money		37%
	Britisin	-	3-month Interbank	3%	276
		1,712,70 + 3,54 %	West Germany	•	
		1,373.30 + 0.14 %	Lombard	- 41/2	41/2
	טבינהיו פוניים	ש דובר שבנישון	Call money:	3.15	3
			3-month Interbank	31/2	. 3.60
	Nikkei 225 22.872.56		Britain .		
	West Germany	និងស្ថិតិណាលស្ថិសាស			
	Commerznk -1,325.00	1,299,70 + 1.95 %	Bank base rate		874
-	Hone Kone		Call money	: 81/2	
		2,302,75 + 6.86 %	3-month Interbook	91/2	8 25/64
	World		Go <u>id</u> Jon.	8 Diecr31	CKAR
			London p.m. fix.s 483.9	0 486.50	-0.54 %
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Currency Rates

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	\$	£	D.M.	F.F.	H.L.	Sidr.	B.F.	· S.F.	Yes
Amsterdom"	1.8565	1,357	1.1242	8,3328	0.1529		1.07	1.3739	1.00
Brussers(o):	365 ·	- 62,4475	20.53	6.176	23457	18.69	· —	25573	6,2472
Frankleri	1.654	2.986	. — ,	0.2961	0,336 *	0.00%	4779	2772	1.776
Londos (b)	1,006	·. — ·	2,9113	19.0728	2.191.40	2.3557	62.63	244	233,195
	1,215.10	2,196.00	735.28	217.66	_	454.32	35.127	378.80	9.365
New York(c)	·	LETP b	1.6385	£3315	120450	1442	34.75	1345	126.25
Ports	\$577	10.0025	3.378		0.4514	30043	- 0.1614 ·	4,127	431 *
Tokyo	129.55	73144	78,42	23.20	0,1067	473	1,7475	16.11	• —
Zurich	1.2515	24393	0.0178	0.2421	0.3314.4	1.7275	1988		1,0446 *
1 ECU	1207	0.4/24	2.8654	6,9761	1,517.87	2322	43.2279	1. <i>6</i> 791	161,956
15DR	1,3793		2.2632	7,5462	, N.Q.	25407	47.3379	NO	179,31
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Closings in London, o: Coromercial franc qualed; N.A.: not avo	: b; To buy one i	h fixings l	n other cente To buy one d	rs, New Yo Dillor) ": L · · ·	erk clasing rai Inits of 100; M	les O.: not
Currency Per S Argen, control \$ 1.90 Austrol \$ 1.00 Austrol \$ 1.157 Bella, fin. W. 33.41 Schoolden \$ 1.221 Condition \$ 1.224 Chinese years \$ 1.7221 Controls krone \$ 2.7221 Co	Carrence Fig., markka Greek drac. Hone Kone 3 Indian cupea- Indian cupea- Indian cupea- Indian cupea- Isroell shek. Kowejii dian Molov, ring."	4.007 131.25 7.7765 13.12 1650.00 0.6193 1.5905 0.2746 2.5375	N. Zealand S Nig. nairo* Norw. krone Phil. peso Part. escudo Saudi rivu? Sing. S S. Kor. won	Par 5 2250.00 1.524 4.2108 6.3075 20.818 136.50 3.7508 20.005 785.00	5. Air, rend Soviet ruble" Spon. peseta Swed. krona Yahwan S Thai baht"	172.24 5.937 28.53 26.275 1040.50

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Panel Blames Megafunds in October's Plunge

Giants Seem To Surpass **Dated Rules**

By James Sterngold

New York Times Service
NEW YORK — The idea that
a handful of large financial institutions could bring the financial
system to its knees through their unrelenting selling of stocks and the financial instruments that set off the selling is a terrifying pros-

NEWS ANALYSIS

peet. But that, in essence, is what the presidential commission on the stock collapse concluded. One of the most provocative and controversial points in the

commission's report is that the plunge was not the product of collective panic by thousands of investors — the kind of irrational, herd-like impulse commonly believed to be behind this traumatic

Rather, the report said, institutions such as pension funds, banks and endowments were be-

It was a stunning point: These professional investors, often regarded as cool and calculating the basis, after all, of the public's confidence in them - could act collectively, and willingly, in a shockingly destructive fashion. the system grew geometrically with the technological and finan-"The October experience illus-

trates how a relatively few, aggressive, professional market participants can produce dramatic swings in market prices," the re-port said. It pointed out that on Oct. 19, five institutions sold the equivalent of \$4.8 billion in stocks and stock index futures contracts, while a single mutual fund group sold nearly \$900 million more in

stocks.

It had been reported that the Fidelity group of mutual funds sold about that amount of stock

But there was a more important point to be made. The report cited the sales as evidence that the wing concentration of power in the hands of these huge invest-ment vehicles had surpassed the old framework for regulating the financial markets, which is still geared to the days when individ-uals were the dominant market players. This was the basis of its endation that the regulatory framework be upgraded in

What the report fundamentally underscored is that these institutions do not act like individuals. Using computers and sophisticated trading strategies, they have



Traders on the floor of the New York Stock Exchange on Friday, when the Dow Jones industrial average plunged by

ent markets at once and operate

The simple conclusion is that

cial revolution of the 1980s," the

commission said. "Many in gov-

ernment, industry and academia

failed to understand fully that

these separate marketplaces are in

It has been evident for decades

that power over the financial mar-

kets has been increasingly con-

centrated in the hands of major

institutions, not the thousands of

individual investors who had

dominated the market for years.

in importance as individuals en-

trusted more and more of their savings and wealth to them, in part out of a belief that they were

a more reliable shepherd of these

ers were disrupting the market

with their investment strategies

they did act together, by design or

The suggestions in the report that the Federal Reserve Board

Critics contend that such actions would constitute excessive govern-

The one development that could

force Congress to consider immediately adopting some of the commis-

sion's suggestions would be insta-

bility in the stock market. The Dow

Jones industrial average dropped

140.58 points on Friday, its third-

"If Friday was any indication of the continued volatility in the mar-kets, we can expect there to be a

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biggest fall on record.

Concern that these huge play-

These institutions have grown

in them simultaneously.

ual can muster.

fact one market."

the ability to scan several differ- otherwise, they could stampede

strategy, the report concluded. In effect, the commission ar-Times, however, have changed gued, there are no longer separate markets in stocks, stock options with the introduction of new techor stock index futures, but one nologies. That is one of the key determinations of the presidential giant financial market, because of commission's report. Today, it these capabilities that no individsaid, these investors do act in tan-

of liquidity which led certain similarly motivated investors, such as Each institution pursued its own portfolio insurers, to adopt strategies which call for liquidity far in excess of what the market could supply," the report said.

In one of the more intriguing observations in the report, the commission said that the mere perception by other large inves-



Nicholas F. Brady, who headed the inquiry on the stock plunge.

dem on occasion, not by design tors that the one group of invesbut because they subscribe to very tors, known as portfolio insurers,

arose more than two decades ago. Congress ordered the Securities and Exchange Commission to -similar strategies. The remarkable aspect of this study the trend, the result of was a major report in 1971. One of its conclusions was that strategies were highly refined with computers, they did not take acinstitutional investors do not "gang up" on the market and act count of the market's absolute inin tandem. The fear was that, if ability to handle this mass action.

would continue their selling inspired even more selling, kicking

Many of the nation's largest institutional investors have used portfolio insurance. Among the jor institutions that dominate largest are Wells Fargo Invest- trading do: as one interrelated "Ironically, it was this illusion

several markets by giant funds was blamed for the volatility. sualty and Leland O'Brien Ru-

140.58 points. Once again, computerized program trading in

It is clearly a problem that the commission had difficulty grappling with. One cannot legislate against investors adopting similar investment strategies. Neither, the commission suggested, could government regulate away irratio-nal behavior.

Thus, the recommendations were soft, more like broad suggestions than specific points for new regulation and legislation. The commission did not suggest, as some have, that more capital be put behind the system, because no amount of capital can stop the kind of stampede that was wit-nessed in October. It did not specifically recommend any curbs on computerized stock trading.

The commission said that the Federal Reserve should perhaps be given responsibility for overseeing and coordinating regulation of the separate parts that make up the overall financial market. But it pointedly did not suggest the creation of a new agency, or the merging of existing

It basically sought to insure that the reality of huge institutions that operate across market boundaries be taken into account in the regulatory structure. It did not say that the whole structure should be overhauled.

that regulators begin to think about the market the way the mament Advisers, Aetna Life & Ca-system for investing capital.

New View Of Oil **Demand**

Agency Says More Is Consumed as **OPEC Output Falls**

Compiled by Our Staff From Dispatches
PARIS — The International Energy Agency said Monday that
world oil demand was rising faster than previously expected, while OPEC had restrained output some-

what in December.

"To put it very simply, there is less oil sloshing about than many believed there was," an agency analysı, Marcel Kramer, said.

An IEA report predicted that, based on revised historical data, world demand for oil would be 50.2 million barrels a day in the first three months of 1988, up from a previous estimate of 48.9 million. Forecasts for the period April-September showed similar rises.

The agency said it had been underestimating oil consumption, particularly in the Third World. The main reason, it said, was that large amounts of oil believed

to be in storage or in transit were actually being consumed. At the same time, the agency estimated that OPEC production fell 10 18.3 million barrels a day in

December from 19 million in No-It said that its new data indicated that underlying demand for OPEC oil in the first quarter of 1988

would be 20.2 million barrels a day, exceeding OPEC production.
The Paris-based IEA seeks to coordinate energy policies in 21 in-dustrial nations. It was formed in the 1970s after the rise of OPEC.

On Dec. 14, OPEC agreed to an output ceiling of 15.06 million barrels daily. Iraq, which refused to sign the accord, has been producing 2.5 million barrels a day, ac-

cording to the energy agency.

An IEA official said that there had so far been no marked firming of prices, despite market suspicions last month that the agency's monthly demand figures would be revised upward.

OPEC's overproduction has

tended to weaken "spot" or free market prices. Typically, North Sea Brent oil was around \$17 a barrel last week, against OPEC's official \$18 reference price set in the December accord.

The drop in OPEC output in December was mainly caused by a fall in production by the United Arab Emirates, to 1.5 million bar-rels daily from 1.9 million in November, the agency said.
Saudi Arabia's output cased to

4.2 million, just below its quota, and Kuwait's to 1.1 million from 1.2 million, still above its quota.

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The energy agency said that the Third World's share of oil consumption rose from 13 percent in 1973 to more than 20 percent in 1986. Its demand is now estimated at 13.2 million barrels daily in the first three months of 1988, up from earlier estimates of 12.1 million.

The IEA also slightly raised estimates for demand by the 24 nations of the Organization for Economic Cooperation and Development in the first quarter to 37 million barrels daily, from 36.8 million.

Congress Unlikely to Act on Brady Proposals In Futures, The task force recommending ference the changes was led by Nicholas F. Brady, a former Republican sena-By Nathaniel C. Nash New York Times Service WASHINGTON — The key rec-Mr. Markey said he welcomed

A Sense of A Threat ommendations by a presidential

CHICAGO — Leaders of the stock futures industry have attacked regulatory proposals by the Brady commission, arguing that they could devastate business.

Drawing the sharpest criticism was a recommendation that consisthe purchase of all financial instru-

"You can kill these products by conflict with suggested changes un-overmargining," said Ed Kelly, vice der consideration by several key president at Goldman, Sachs & Co. senators and representatives. You can margin them out of exis-In futures trading, a margin is should become the chief regulator

the good-faith deposit an investor of the financial markets, and that must put up when buying a con-trading be subject to price limits tract to buy or sell an instrument or and mandated halts, has attracted commodity at a particular price at widespread opposition in Washing-a future date. If the futures price ton and in the markets of New moves adversely, the investor must York and Chicago. put up more money to meet margin

The Brady commission did not ment intervention in the marketrecommend that margin require- place. ments for futures and stock purchases be equal, only that they be "comparable."

But the notion that futures and stock margins are comparable "is like saying legs and arms are comparable. They're both limbs, but they don't perform the same functions," said Richard Sandor, one of the original designers of financial futures and a senior vice president at Drexel Burnham Lambert Inc.

further appreciation developed for The purpose of stock market the need for some changes," said purchases is transfer of ownership. Representative Edward J. Markey, while the function of futures marthe Massachusetts Democrat who kets is price discovery, he asserted. chairs the House subcommittee on Merton Miller, professor of fitelecommunications and finance. nance and banking at the University of Chicago, said that higher fu-

See REACTION, Page 13

SPLECTED U.S.A./O.T.C. QUOTATIONS Alan Jones Pit Stop 21/2 19 GoodMark Food 2% 3 MAG Holdings NAV-AIR Gold Glory USA Inc. 24 2% WITH COMPLIMENTS OF

CONTINENTAL AMERICAN

These are indicative market prices

tor who now heads the brokerage

firm of Dillon, Read & Co. commission for reordering the reg-ulation of U.S. financial markets Beyond its analysis of why the are likely to be tied up in congresmarket collapsed in October, the rest of the commission's report sional debate and may never be acted on, legislators and regulatory particularly four recommendations experts say.

Although the commission's findings, released Friday by the White House, were eagerly awaited by members of Congress who will be about changing the system of fed-eral regulation over stock, options and futures trading - is likely to remain on a shelf as an innovative,

but politically unworkable idea. under pressure to act, most of the No one politician appears to obspecific proposals are considered ject to all of the commission's suggestions, but most had problems with at least one or two of them. either politically unrealistic or in For example, Senator William

Proxmire, the Wisconsin Democrat who heads the Senate Banking Committee, welcomed the recommendation that the Federal Reserve Board be given authority over other agencies to supervise the fi- 50 years has separated commercial nancial markets. But Mr. Proximire said he was skeptical of the value of imposing price limits on securities blow to the Brady suggestions was trading. "It's too much of an inter-

ference with the freedom to trade," reception at the White House. As

that uniform requirements be essuggestion to create a unified sys- ed. tem of clearing and settling all se-At the same time, Mr. Markey

said he felt the idea of placing broad new authority with the Fed was not the right approach.

Diminishing the chances that
Congress will do anything more

than hold hearings on the study is with efforts by Mr. Proxmire toward the adoption of new legislation to further deregulate the U.S. banking industry. Mr. Proxmire has proposed to repeal the Glass-Steagall Act, which for more than banking from investment banking.

early as the middle of last week. when the commission first presentthe Brady commission's suggestion ed its conclusions to the administration, the White House began to tablished for all purchases of distance itself from them, stressing stocks, options and futures bought that before acting, it wanted to see on credit. He also welcomed the all the other studies being conduct-

U.S. \$500,000,000

National Westminster Bank PLC (Incorporated in England with limited liability)

Primary Capital FRNs (Series "A")

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from January 11, 1988 to July 11, 1988 the Notes will carry an interest Rate of 744% per annum. The interest payable on the relevant interest payment date, July 11, 1988 against Coupon No. 6 will be U.S. \$3,918.08 and U.S. \$391.81 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.

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Var Inter INTERNATIONAL HERALD TRIBUNE, MONDAY, JANUARY 11, 1988 Page 12 **NASDAO National Market** 9410 17 58 11 34 28 14 1566 367 13 287 514 417 4 3402 2014; 73 1519 1724 434 273 80 1724 434 273 80 1955 22 346 9 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | Prulie Prudici 18 2614 1244 374 18 15 124 274 1874 CONTROL CONTROL

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Ludlow Defeated GTON — Musicing # Corass including the second iorans included the control of the c

. Justicer	Amount (millions)	Mat	Coup %	Price	Price end week	Terms
REATING RATE N) ZEIC		24 %	: -		
Side Bolisk of New South Woles	\$250	1998	3/16	100.	99.75	Over 6-month Libor. Noncollable. Extendable every 5 years Files 0.32%. Denominations \$10,000.
Company Buncaire	¥10,000	1995	0.55	10014	- - -	Below the Joponese long-term prime rote, semionually Noncolloble private placement. Fees 0.35%, Denomination 10 million year.
EXED-COUPON		1.7		7		
Austrick	DM 1,000	1998	6%	100%	98.7 5	Noncoliable: Fees 25%.
Nordic lavestment Barks	DM.100-	1991	41/2	100%	क्ष ी है। 1 है जो - 1 स्टार्ट -	Noncritable private placement. Also 1.5 million two-yea warrents, pricad at 1.2% marks each, entitling holders to bu \$100 at a found exchange rate of 1.635 marks per dellar Breakeven rate 1.76. Fees 1926.
Abbey National Building Society	£ 50	1993	1014	101%	99.00	Noncolloble. Fees 1%%.
loyota Motor Credit	£75	1993	91/2	101	97.75	Noncollable, Fees 136%.
P. Gopital	ECU 100	1993	7%	101	98.50	Noscollable, Fees 1%%.
Jeutsche Bonk Injonice	BCN 100	1993	7%	10114	99.25	Noncollable, Fees 1%%.
sropean Investment Jonis	ECU 150	1996	8	1011/2	99.38	Noncelloble, Fees 2%
IBC Mortgage	C\$ 100	1993	10%	100%	98.88	Noncollable, Fees 17/16,
inneh Export Credit	C\$ 75 :	1997	10%	101%	99.63	Noncolicible, Faes 196%.
ord Motor Credit	C\$ 100	1993	10%	101	99.00	Noncollable. Fees 1%%.
igusehold Finance	C\$ 75	1993	10%	100%	99.00	Noncollable, Fees 176%.
ompagnie Bancaire	Y 10,000	1993	514	101%		Noncollable private placement, Fees 1%%, Denominations 10 million yea.
kopbank 	Y 3,000	1993	21/5	101%	:: -	Coupon will be 21/1% in first 2 years and 7.1% thereafter. Noncollable, Fees 1975, Denominations 10 million yen.
CULTY-LINKED		· · · · · ·		·		
lekkai Can	\$ 80	1993	open	100	103.00	Coupon indicated at 5%. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at an expec- ed 29% premium. Fees 243%. Terms to be set Feb. 12.
oshia Denki	\$100	1993	open	100	104.00	Coupon indicated at 5%. Noncaliable, Each \$5,000 note with

PANEL: NYSE Head Sees 'No Guarantee' for Market

publican senator from New Jersey. Friday to wormes about the Brady huge institutional investors.

The advance of technology and el proposed a set of regulatory actions for reducing volatility, such as the instantaneous linkage of martines to cope with the new dynamic coordinated trading halts or Fed kets by computer means that the up. ics of the U.S. capital markets and oversight, face opposition from to avoid a recurrence of the Oct. 19 some congressmen and big inves-Mr. Brady, who is the chairman

investment banking firm, said Sun-that the issues raised in the report day he did not sense the spiraling ie that characterized the weekend following Oct. 16. I don't see a repeat of the Friteet investors, he said, including the

to Monday kind of action that regulation of credit we had on the 19th of October," Mr. Brady said on "Meet the However, the chairman of the

House Committee on Energy and Commerce said it was difficult to tell whether investors using the market's computerized mechanisms had become self-regulating.

crat of Michigan, who appeared on who probably were confused by the the same program. "I think it might be said that a lot

that have no morality either." Ironically, analysts partly attrib- decline on new trading techniques **REACTION:** Futures Markets Assail Some of Panel's Recommendations

tures margins "would only serve to

bake the cost of trading.

A proposal that a single agency

be used to coordinate stock, stock

index futures and stock options.

The Securities and Exchange

Commission and the Commodity

Futures Trading Commission

"both have proven that they regu-late their markets very well," said Tone Grant, president of Refco

Tom Dopovan, the president of

the Chicago Board of Trade,

warned that ill-conceived regula-tory efforts could result in the loss

of U.S. financial business to over-

in a statement responding to the

Chicago Board of Trade empha-

By Carl Gewirtz

ing, more expensive debt.

charge will be lower.

they prefer not to do.

report, a margin of % point is likely

In fact, the only time the coming

new capital/assets ratios are men-

tioned is when banks are looking

for an excuse not to do business

This appears to be the case with

the \$300 million, 10-year credit be-

g arranged for India's Oil and

Natural Gas Commission by Mor-

gan Guaranty Trust and Bank of

Brady commission's report, the Times reported from Chicago:

Group Ltd.

markets also was assailed.

But Mr. Phelan sought to reasof Dillon, Read & Co., a New York sure the market's small investors would be addressed.

Several elements of the trading system must be improved to pro-"I don't think that we can rest

assured" that "we have everything in place that would protect the public," he said. "But at least the Brady report has gotten the subject up on the table." Mr. Brady, the commission head,

also took care to address the concerns of small investors. He noted "It's too early to say, but a computer has no morality," said Representative Folm D. Dingell, Demo-capitalization is held by individuals vast selling in October. The presidential commission

of these investors that were doing headed by Mr. Brady essentially that have no morality either. Placed the blame for the Oct. 19

which will drive our business off-

Mr. Donovan said he agreed

that coordination and communica-

tion be improved between related

market systems. But he said, "The

mechanics whereby such coordina-

tion could be achieved will require

Julia M. Flynn of The New York

The Chicago Board Options Ex-

■ CBOE Studies Changes

are like a cash down payment on a market collapse purchase, be said. Failure to rec The changes are

ognize these differences will result raising the amount of money that

in increased costs to U.S. markets, - customers must keep in their ac-

with the report's recommendation possible change is to alter opening

turmoil.

uted the plunge in the Dow on developed and used by a handful of

the instantaneous linkage of mar- interest rates if the economy heats nation's financial markets in the future should be viewed as "one mon Brothers Inc.'s chief economarket," the panel concluded.

In calling for revamped regulation of the markets, the task force's danger of that happening. primary argument was that the stock, options and futures markets can no longer be considered separate markets. As expected, the study advocat-

ed several steps to unify the nation's capital markets, including establishing consistent margin, or down payment, requirements for purchasing all financial instruments; the creation of a single clearing and settlement system for down. all stocks, bonds, and futures; and development of a "circuit breaker" dollar removed, neither West Ger-

Mr. Brady backed away somewhat mestic money supplies. For its part, from reports circulating within the administration last week that his commission supported daily price limits. (AP, Reuters, NYT) inflation in check.

sized the importance of differences change, the nation's oldest and Market makers are estimated to

between margins in futures and se- largest options exchange, says it is have lost as much as \$150 million

curines.

studying a wide range of changes in during the market collapse. About

Futures margins are like insurits operations and its regulatory 10 percent were in debt to their role in response to the October are like a cash down payment on a market collapse.

studying a wide range of changes in during the market collapse. About 10 percent were in debt to their clearing firms, and many market makers quit trading and were

The changes are likely to include

counts to trade, which could limit

the use of a risky trading strategy

known as "naked puts." Another

pricing procedures, a major source

A special committee is examin-

ing capital requirements for market

makers and their clearing firms, the

companies that guarantee the mar-

ket makers' trades. The committee

expects to present its findings and

than a facility fee. The difference is

that a commitment fee is paid only

when the loan is not drawn, where-

as the facility fee is paid whether

charge to draw in francs or foreign

the charge on franc drawings has

In this case, the drawing cost is

Trois Suisses: the French retail-

er, is seeking a facility of 400 mil-

lion francs for five years. It will pay

a facility fee of 71/2 basis points and

drawing charges of 17% basis

--points over the interbank rate to

Libor for Eurocurrencies.

draw francs and 9 basis points over

It will pay a utilization fee of 5

basis points if more than half the

121/2 basis points over the interbank

rate for up to one-third of the loan, 15 basis points for up to two-thirds

In addition, the borrowing

drawn or not.

board by the end of the month.

of complaints during the market under a cash squeeze that was de-

recommendations to the CBOE month of November and expects to

MARKETS:

Jittery After Fall (Continued from Page 1)

sumer goods; rising inflation as

foreign and U.S. producers raise prices in the face of robust demand; and a continued worsening of the U.S. trade deficit, with imports rising and less domestic production available for export.

But Mr. Keating said this interpretation was incorrect. The December job data showed that retail employment was flat and manufacturing employment was up.

"The U.S. economy is clearly go-ing through a new experience," he said, "witnessing weak consumer spending combined with buoyant industrial output and increasing employment" as the United States. benefiting from the two-and-ahalf-year slide in the dollar's value, sale of partial interests in refineries shifts to an export-led growth path. and other assets to one or more

U.S. consumers, he said, are joint ventures that would be overindebted, real incomes are not formed with outside parties. increasing and consumers are not prepared to cut further their al-ready low savings to go on spend-ing as they have. Taken together properties," said Wilbur L. Ross with the flat retail employment Mr. Keating said he saw no reason to expect anything other than flat consumer spending on durable goods, those items expected to last three years or more.

The U.S. trade figures will begin registering this shift, "if not in the November data then certainly in the months that follow," he said.

The improving trade data, Mr. Keating said, will keep the dollar from weakening further, definitively breaking the chain of global instability in financial markets witnessed last October.

But the December job data clearly joited New York.

October's stock sell-off had resulted in a rise in bond prices as the cash raised from the sale of stocks went into the safety of the government bond market. But on Friday, bond prices also

fell sharply, on fears that the Federal Reserve will be obliged to raise

However, Henry Kaufman, Salomist, who has predicted that rates will rise, said he saw no imminent "Against the backdrop of a more

stable dollar and apparently sturdy economic growth, which has yet to unleash faster price gains, the Federal Reserve will likely be content to leave current policy unchanged." he said in his weekly telex. Nevertheless, the prospects have

increased that the next move in interest rates will be up rather than With the threat of a collapsing

mechanism that would halt trading many's central bank, the Bundesin certain stock and futures instru- bank, nor the Bank of Japan are ments when selling pressure be- likely to cut rates when both are - concerned about the massive over-Presenting the report on Friday, shooting of the growth in their do-

forced to sell or lease their seats.

In turn, capital levels at two op-

tions clearing firms dipped low

enough to raise serious concerns

that they would be in violation of

regulatory requirements, exchange

officials said. Clearing firms came

picted as tremendous by officials.

when the options exchange has ex-

perienced a sharp drop in trading

volume and revenue. It posted a

\$1.5 million operating loss for the

report a loss for December as well.

inder a cash squeeze that was described as tremendous by officials.

The CBOE study comes at a time when the options exchange has exercisenced a sharp drop in trading olume and revenue. It posted a sharp drop in trading study of the sharp drop in trading olume and revenue it posted a sharp drop in trading study of the sharp drop in the sharp drop in

Texaco Charge Is One of Largest in U.S.

Jaguar Sets Sales Record

LONDON — Jaguar PLC, the British maker of luxury cars, said Monday it had sold a record number of its cars worldwide last year.

Jaguar sold 46,612 Jaguars and Daimlers in 1987, a spokesman

said. He said sales were 14 percent ahead of the old record, set in 1986.

just over half of its cars. British sales rose 46 percent and European

Jaguar has forecast that it will report a dip in pretax profit for 1987, to £105 million (\$189 million) from £120 million in 1986, mainly

because of the costs of introducing its latest XJ model.

Sales rose nearly 5 percent in the United States, where Jaguar sells

By Stephen Labaton New York Times Service

NEW YORK - The charges of \$4.9 billion that Texaco Inc. is to take against fourth-quarter aftertax earnings in order to finance its repaid with earnings of the compa-equipment involved in the breakup bankruptcy reorganization are ny or the sale of its assets. among the largest ever taken by a U.S. company.

Texaco also said Friday that it planned to sell at least \$3 billion in assets to reduce its debt. The \$4.9 billion includes a write-

down of about \$2.1 billion of the value of assets. It also includes a charge of \$2.8 billion, reflecting most of the \$3 billion settlement of its legal dispute with Pennzoil Co. The properties for sale were not would include refining and market

ing assets. These would include the

"It sounds to me like they

In a leveraged buyout, money is In 1983, American Telephone &

Texaco's announcement was New York Stock Exchange closed. Texaco's shares fell 75 cents to and downsizing of refining and

Jr., a managing director of Roth-schild Inc., who is advising a com-mittee of Texaco's shareholders.

The quarterly charges appeared proceeds from the asset sales to be the largest since LTV Corp. would be used to retire debt, he wrote off \$2.1 billion in late 1986. said. borrowed to buy a company, and Telegraph Co. reduced the value of largest U.S. oil company, filed for

of the Bell System by \$5.5 billion. James W. Kinnear, Texaco's ruptcy Code. The filing was part of made about half an hour before the president, said the restructuring would "focus on a rearrangement marketing assets."

Last April, Texaco, the thirdjudgment that Pennzoil had obtained against it for interfering with Pennzoil's planned merger with Getty Oil Co.

Last month, Texaco filed a proposed plan with a Federal Bankruptcy Court to emerge from bankruptcy this spring. Including its \$3 billion settlement with Pennzoil. Texaco anticipates that it will have to pay its creditors \$5.6 billion.

In recent weeks, Texaco has been approached by foreign companies about the sale of its Canadian subsidiary, Texaco Canada Inc., in which it holds a 78 percent stake. It has also talked with Petroleos de Venezuela SA, an oil company owned by the Venezuelan government, over the sale of certain European refining operations.

sales by 51 percent.

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At a Glance

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	Jan. 6	Dec
U.S. S. ini'i incl., 8 yrs & over	9.74	9.8
public issuers, 3 yrs & over	9.92	9.9
other isseers, 8 yrs & over	10.16	70.2
other issuers 5 to 7 yrs	9.57	9.66
Popeds stertion, 5 to 7 yrs	9.88	9,7
Prench trancs, less than 5 yrs	9.74	9.9
ECU, 8 vrs & over	8.70	8.63
5 to 7 yrs	1.27	8.2
Can. & 5 to 7 yrs	10,96	10.97
Aus. S.5 to 7 yrs	73.85	13.7
N.Z. S. Jesa Ithon 5 vrs	16.55	14.90
Yes, 1 vrs & over	5.88	5.01
5 to 7 yrs	5.13	516
Source: Luxembourg Stock Ex	chana	

Weekly Sales

Noes 1,291,30 193,90 314,50 105,10

International Herold Tribanc PARIS - Despite all the talk. facility may be extended to seven. gian ship financing company, is Two features of the facility, arranged by Societe Generale and minnent fee of 20 basis points and India, which became an active borabour standardized capital/assets rower only in the past two years. ratios forcing banks to seek higher The previous Indian loan carried a returns on new business, there is Credit Lyonnais, are noteworthy, a drawing charge of 40 basis points still no sign of any hardening terms

Despite Capital/Asset Warnings, Terms Stay Soft

on internationally syndicated bank There were two other syndicates Thailand has just asked banks to submit terms for an eight-year loan. INTERNATIONAL CREDIT

of \$300 million that could be increased to \$500 million. The proceeds will be used to prepay existwas awarded. the charge on franc drawings has Banks in an all-Japanese group run about 10 basis points above the The country's previous 10-year. Banks in an all-Japanese group run about 10 basis points ah loan carried a margin of 14 point, or led by Industrial Bank of Japan are cost to draw other monies.

interbank offered rate for the final are reportedly boycotting the deal, ostensibly because it is too cheap. eight years. Now, bankers in Asia Morgan officials said they know and 20 basis points for more. to be the maximum Thailand nothing of a boycott, and that the Front-end fees range up to 6 basis would pay, and very likely the terms of the three groups were vire points. mally identical. The period for forming an expanded lead manage-

> request of a number of banks, a Morgan official said. As of Friday, the expanded

The two banks won the mandate proposing a margin of 3/16 point Bank, making a total of only three over Libor for the first two years. Japanese banks so far.

61/4 basis points and a drawing and 1/4 points for the final eight. In Europe, McDonald's France charge of 10 basis points over Liyears. There is a grace period of is seeking a multi-option facility of bor. There is a utilization fee of 5 seven and a half years during which 300 million French francs that can basis points if more than half is

only interest is paid and front-end be used to draw in other currencies drawn and front-end fees of fees total 37½ basis points. The terms are a new low for

split margin of 4 point over Libor for the first two years and % there-

bidding for the mandate. The banks in a syndicate led by Citicorp proposed a 4-point margin. Notwithstanding, two of those banks, Dai-Ichi Kangyo and Credit Lyonnais, agreed to join Morgan's winning group once the mandate currencies is identical. Up to now,

121/2 basis points, for the first two rumored to have proposed lower years and & point over the London terms and, miffed at being rejected

ment group was to have ended last week but the timing has been extended to early this week at the

group, in addition to the four already noted; included Commerzbank, Amsterdam-Rotterdam amount is drawn. Front-end fees Bank, Banque Nationale de Paris, range up to 5 basis points. Credit Agricole, Swiss Bank Corp., State Bank of India and Tokai

In the dollar sector, Sydank of Denmark is seeking \$30 million for five years, paying a facility fee of

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Triple Time Amateur short sellers become so

aggressive during the latest crash score that Indigo research indicates some of them will get wiped out twice over on the rebound. Write, phone or telex for complin movements in such cases as the fastest-growing PC maker, the pio-

neer in engineering work stations and a gene-splicing leader.

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expert © New York Times, edited by Eugene Maleska

SPORTS BRIEFS

2 More Die During Paris-Dakar Rally

PARIS (AFP) — Patrick Canado of France became the 20th person killed in the 10 years of the annual road rally from Paris to Dakar, Senegal, and the second in two days, when he was burned to death Sunday in the wreckage of his Range Rover in Niger. Earlier in the day, a French mechanic, Girard Lason, received severe internal injuries when he was run over by a car as he slept on the ground.

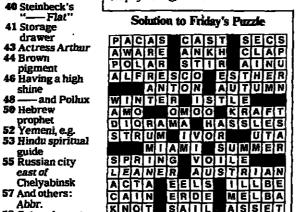
Canado was 13 miles (22 kilometers) into the Arlit-to-Agades stage when his car olled several times and burst into flames, trapping Canado, 37, in the wreckage. On Saturday, Kees van Loevezijn of the Netherlands was killed when his truck crashed shortly after leaving Djado for Artit. His co-driver, Theo van de Rijt of the in a World Cup race, was second in 1:29.46. Netherlands, and mechanic, Chris Ross of Scotland, were badly injured. The Pirmin Zurbriggen of Switzerland, who won organizers also announced Sunday morning that a French driver, Jean-Marie the men's downhill at Val d'Isère on Saturday. Lignières, had been seriously injured in Saturday's stage.

Yankees Lose Gullickson to Tokyo Giants

NEW YORK (Combined Dispatches) — The New York Yankees lost a pincher Friday night when Bill Gullickson rejected their final offer and headed for Japan, where he is expected to sign a two-year, \$3.3 million contract with the Tokyo Giants. sensation by winning five slalom and giant. No more players filed for salary arbitration before the deadline, leaving catcher slalom races, finished fifth Sunday behind Steve Lake of the St. Louis Cardinals, who filed Wednesday, as the only one to have Gunther Mader of Austria. The Italian did not done so. Players with at least three years in the major leagues who were not eligible for race Saturday. free agency may file until Jan. 15. Last year, 109 sought arbitration; all but 26 sealed before the hearings.

For the Record

Todd Santos of San Diego State passed 39 yards for a fourth-quarter touchdown Sunday as the West all-stars won the Japan Bowl football game, 17-3, in Yokohama. The East's passing game, featuring receiver Tim Brown of Notre Dame and quarterback Don McPherson of Syracuse, who were one-two in the Heisman on Syracuse. The snow wasn't too good," he said. "It was soft and was breaking. But when I have a good race I always have some problems." Trophy voting, was shut down.



PEANUTS

Brian Boitano won the U.S. figuring skating title, ahead of Paul Wylie and Christopher Bowman. Debi Thomas won the women's title, over Jill Trenary and Caryn Kadavy.

Forty people were arrested and a po-liceman was hurt Saturday at the Millwall-Arsenal soccer match in Highsbury, England. There also were injuries at the Leicester match in Oxford. (AFP) Mexico's formula-one grand prix, sus-pended last year because of the econom-

ic crisis, is to be run July 5. Robert Maxwell, the British publisher, is to give organizers of the lossmaking 1986 Commonwealth Games 2

Wasmeier Wins; Austrians Disqualified

In Downhill, Zurbriggen Posts First Victory, in Record Time

Compiled by Our Staff From Dispatche VAL D'ISERE, France - Markus Wasmeier of West Germany, coming back from a serious back injury, won the men's first World Cup super-giant slalom of the season Sunday.

He was clocked at 1 minute, 29,16 seconds. Franck Piccard of France, in his best finish ever

was third. Alberto Tomba of Italy maintained his lead in the cup overall standings with 136 points. although Zurbriggen, in second place, closed

the gap to 5 points with 131. Tomba, who early in the season created a

Wasmeier said it was his best race of the (AP, NYT) season, but added that the soft snow, caused by sunshine and mild temperatures, had bothered him. He was the super-G champion in 1985-986, but had suffered vertebrae damage in a

On Saturday, Zurbriggen got his first victory this season, winning the downhill in 1:57.10. the fastest time ever on the Oreiller-Killy course. Anton Steiner of Austria was second in 1:57.64 and Marc Girardelli of Luxembourg finished third in 1:57.67.

The brisk temperatures and icy-fast course, shortened from the usual 3,505 meters (809 vards) to 3,390 meters, contributed to the fast

The race, originally scheduled for Garmisch-Partenkirchen, West Germany, but transferred because of lack of snow, was delayed 30 min-utes after a snow grooming tractor skidded into a ski-lift pylon, killing the tractor's driver and injuring three people in a gondola.

Peter Müller of Switzerland, the world downhill champion, was in a gondola just behind the one involved in the accident. After waiting 30 million pounds (\$3.6 million). (UPI) minutes to be rescued, he said he was unnerved



A snow tractor hit a ski-lift pylon in Val d'Isère, killing the driver. Downhill champion Peter Mueller just missed being hurt.

by the incident and finished 15th in his event. After seeing his winning time posted on the electronic scoreboard, Zurbriggen, the defend-ing World Cup overall champion, thrust his right arm in the air and let out a mild yell. I skied better today than I have been," he

said. "I am pleased to win." Girardelli had set up the time to beat with his run from the seventh position, and Zurbriggen followed immediately.

"I knew Giradelli was fast on the top part," he said. I thought the times would be tighter. The next men's race is a slalom on Tuesday at Lenz. Austria. It was transferred from Bad Wiesee. West Germany, due to a lack of snow.

Haas Takes Women's Super-G After Jury Demotes 4 Austrians

Compiled by Our Stuff From Dispatches LECH AM ARLBERG, Austria - Zoe Haas of Switzerland was declared winner of the women's third World Cup super giant slalom this season when Signid Wolf of Austria and three teammates were disqualified Saturday.

The Austrians were disqualified after the West German coach, Klaus Mayr, lodged a protest alleging that they had attached starting numbers to their suits with safety pins instead of string. He claimed that the Austrians had gained a considerable advantage because "we have found out in tests that one can be up to a half second faster if the starting numbers are closely attached to the clothing.

Three hours after the race, Haas was declared the winner in I minute, 15.55 seconds, four hundredths of a second slower than Wolf-

"It's a joke," Wolf said. "It's terrible to be beaten in this way." She said "some of us have used safety pins, but I certainly have not." Catherine Quittet of France, timed in

1:15.75, was promoted to second place. Michela Figini of Switzerland placed third at 1:15.79, and retained her lead in the overall World Cup standings with 121 points, 20 ahead of Blanca Fernandez-Ochoa of Spain. The Austrian Ski Federation later filed a

protest against Heinz Krecek, a West German who is technical director of the International Ski Federation. The protest was rejected. Andi Rauch, the coordinator for the Austri-

ans, said: "The whole thing is untrue. We have done nothing against regulations." The five man federation jury voted, 3-2, to disqualify Wolf; Anita Wachter, who finished fifth; Silvia Eder, who finished 10th, and Elisage.

beth Kirchler, who finished 12th.

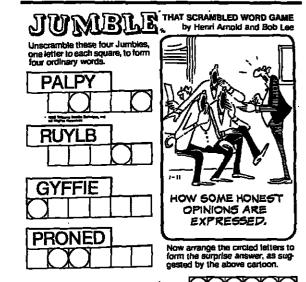
"That is a catastrophe for women's competi-tive skiing," said Jean-Oierre Fournier, the Swiss team's head coach, "but as a jury mem-ber, I must make sure that rules are observed."

The race also was marred when Heidi Zur-briggen of Switzerland, sister of Pitmin Zurbriggen, fell and broke her leg. She was just meters from the finishing line when she struck a hump of ice, lost her balance and went head over heels into the finishing area.

DENNIS THE MENACE

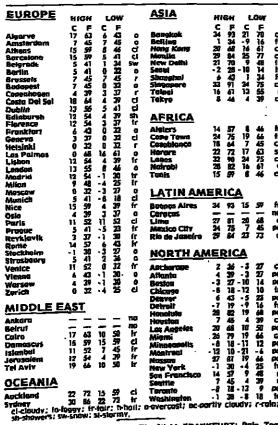


.AND THAT WAS MY FIRST SET OF WHEELS."

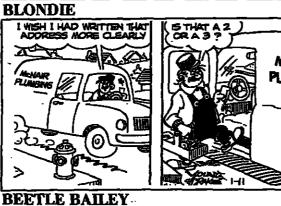


Jumbles: TONIC HYENA WHEEZE BUOYED Answer: What happened when an employee fell into a huge vet of gum?—HE WAS CHEWED OUT

WEATHER



THAT STUPID KID WHEN OLIVER TWIST MORE ASKED FOR MORE. RUINED IT FOR THEY PUT HIM IN THE REST OF US. SOLITARY CONFINEMENT



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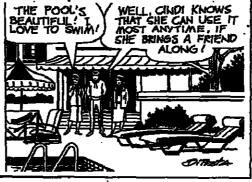




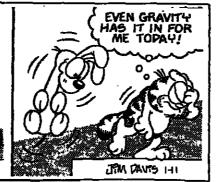












Brazil Reportedly Seeking **Quick IMF Pact on Debt** Brazil's new finance minister. Mailson No-

RIO DE JANEIRO - Brazil will seek a quick agreement with the International Monetary Fund on its \$116 billion foreign debt and has dropped a longstanding demand that private banks first agree to a refinancing package, according to a Finance Ministry source.

The comment came as Fernando Milliet, president of Brazil's central bank, prepared to meet on Monday in New York with a 14member committee of private creditors led by

"Negotiations with the banks and the IMF will take place simultaneously," the Finance Ministry source said Friday. "So far there is nothing scheduled with the IMF, but it could be this week or next."

He said that Mr. Milliet went to New York with "the express instruction to reach a quick accord" with the banks, aiming for a Jan. 29 deadline set at previous talks.

Brazil, the world's most indebted developing

nation, stopped paying interest on Feb. 20 on about \$70 billion of its medium- and long-term debt to private international banks. Now, however, it has begun negotiating a possible resumption of interest payments.

Brazil has not signed a formal accord with the International Monetary Fund since the end of military rule in March 1985. It has asserted that such accords represent an imacceptable

interference in its internal affairs.

Now, however, creditor bankers say that an IMF "stamp of approval" for Brazil's internal domestic policies will help the indebted nation

win new loans. The fund helps indebted nations pay their loans but usually demands they change their economies to reduce trade barriers and stabi-

lize their currencies. These measures often make the fund unpopular with debtors, but countries that win its approval usually have an easier time getting bank loans than those that do not submit to its

requirements. Bankers believe that Brazil, which is struggling to bring down the record 366 percent inflation rate seen in 1987, is anxious to reach a solution on debt so it can concentrate on dobrega, met for 90 minutes with President Joya Samey for discussions including the forces. debt, but the ministry did not detail how much money the country will seek from the banks or the IMF, or what kind of repayment terms it

Mr. Nobrega was swom in on Wednesday as the new finance minister. The previous minister, Luiz Carlos Bresser

Pereira, resigned after clashing with President Sarney over how to handle the country's huge public deficit.

Section 15

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When Brazil stopped paying interest to for-eign banks 11 months ago, government offi-cials said falling exports had left the nation with insufficient foreign currency. Now trade has picked up, allowing the nego-

tiations on resumption of some interest payments. The Finance Ministry source said, however,

that Brazil will not pay medium- and long-term interest falling due in January until it reaches. an agreement with the banks. Given Brazil's weak reserve position, bankers said it is unlikely it will be able to include a

plan to swap bonds for debt in the package.
Such a plan is being arranged for Menotical which will dip into its huge holdings of reserves to pay for the transactions. Brazil had proposed a similar plan last autumn, but the plan soon died when the U.S.

Treasury secretary, James A. Baker 3d, said it had no chance. That was an embarrassment for Mr. Bresser

Pereira, who had announced the debt proposals before negotiations in the United States. Mr. Milliet said Thursday that future contacts with bankers would be secret.

He said last week that he wanted "pragmatic, professional, determined and discreet negotiations with creditors and has also said he will introduce a more secretive style of negoti-

ating.
"The debt has to be negotiated with the necessary discretion and determination." he said. "To divulge proposals is like giving advance notice of military preparations in war."

(UPI, Reuters)

From Resorts to the 'Chunnel,' China's Investments Grow Abroad

mestic economic and political problems.

BEIJING - Foreign money has poured into China for the past nine years, but the flow is increasingly two-way. Beijing has begun to aggressively invest abroad, a dramatic change from the early days of Communist rule.

In 1979, nontrade investments abroad

amounted to four projects worth \$1.2 million.

Now, according to the People's Daily, there are more than 300 projects worth \$500 million, including a resort in the Bahamas, a forest and real estate in the United States, an Australian aluminum smelter and the tunnel that is being built under the English Channel. The total does not include investments in Hong Kong. The scope of China's foreign investment has

also changed - from production of goods it would otherwise have to import to investment for profit and prestige, foreign bankers said. "If we only import capital and technology," the People's Daily said in an article published

our own creative ability and use of funds." An American banker in Beijing described the policy as good business and good politics.

"Investment overseas is also a sign that China is joining the world economy," he said "Other

in November, "not only will we come to rely on

foreign countries for them, but we will reduce

countries welcome it." Much of the foreign investment was pioneer-ed by China State Construction Engineering Corp., one of the largest contractors in the world with 25 offices overseas.

The firm is developing a 520-room hotel in Toronto, houses and offices in Florida and California, and a resort, including a casino, at Bimini in the Bahamas.

Construction and the export of labor, both skilled and unskilled, also have become big business for China. The Beijing Financial Times newspaper re-ported last month that China had signed more

than 4,700 construction contracts worth \$7.5

billion with 107 countries and regions since 1979. But China still has less than I percent of the market, which has increased tenfold in the last 15 years, and the quality of Chinese work is still considered to be low, it said. Another pioneer abroad is China Interna-

tional Trust & Investment Corp., which was set up in 1979 to bring foreign capital and technology into China. "Citic says it invests abroad purely for profit. It is on the ideological frontier in China. a

European banker said.

Citic owns standing timber in the northwestern United States, half of a pulp mill in Canada, part of an aluminum smelter in Aistralia, 12.5 percent of Cathay Pacific Airway and a majority share in Hong Kong's Ka War Bank Ltd.

Its subsidiary, Citic Industrial Bank, lent \$17 million toward the construction of an enderwater tunnel linking Britain and France "It seemed a very peculiar choice," the Euro-

pean banker said. "The bank did it to get a good asset on its books and as a status symbol: because it was such a big international pro-

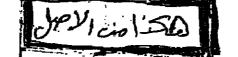
But despite a bold and apparently solid investment sense, Beijing must tread carefully to avoid offending hard-liners in the Communication. nist Party.

Citic was criticized for not acquiring a controlling interest in Cathay and for spending money that could have been used domestically the European banker said.

The People's Daily article acknowledged the

criticism, but defended the policy. There In-gers a suspicion in people's minds; our country is short of capital for its modernization, why should we invest in businesses abroad? it said. The paper noted that its overstas invest-

ments were a means of obtaining goods, sadd as minerals and timber, that are in short samply



Carter Far Outplays Rice During 36-24 Triumph

By Michael Wilbon

white of the San Francisco 49ers, Eddie DeBartolo, needed Saturday was a money-back guarantee. After rewarding his players with \$19,000 a man just for making the National Feotball League playoffs, his beavily favored bonus babies fellflat on their fannies The 49ers got stuck in the mud of

Candlestick Park and never played like the team with the best quarterhack, the best receiver the best into making quick, often errant officiase and best defense in the throws including one that corner-NFL Instead, the Minnesota Vibrack Reggie Rutland picked off and kings, who two weeks ago needed returned 45 yards for the touchdown kings, who two weeks ago needed help from the Dallas Cowboys just 20 get into the playoffs, blindsided hem, 36-24, for one of the biggest

card game, the Vikings said they were good enough to beat the 49ers. And were laughed at. Their top receiver. Anthony Carter, said he was as good as Jerry Rice. And was laughed at. But the Yikings, apparently, were sick of being laughed at.
They rumped to a 20-3 lead, with ading the way. He went on io catch 10 passes for a playoff- his NFL career, Walsh had benched record 227 yards against a 49er him for the more mobile Young. team that stubbornly—and unsuc-passfully—tried to stop him with

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NFL postseason record. after the Vikings had returned one son, which made it 30-17 with a of Montana's errant passes for a minute left in the third quarter.

"We're flowing free and easy," hid quarterback Wade Wilson, who was 20 of 34 passing for 298 yards and two touchdowns. Nobody ever expected us to go to New Orleans and win down there. And certainly nobody expected us to come here to Candlestick and win. This underdog role suits us just fine." : Nobody, of course, was more sur-

souldn't do much of anything, tional Football League playoffs.

Whether considering Carter's domi- With that, the Browns move

pass to tight end Carl Hilton, which made it 10-3 early in the second SAN FRANCISCO - What the period. Then Carter's 63-yard reception, on which he tipped the ball away from cornerback Don Griffin, led to Nelson's 23-yard field goal and a 13-3 lead

While Carter was getting open everywhere, Viking comerback Issiac Holt was sticking to Rice like a bee to its honey. And the defensive linemen, especially Chris Doleman and Keith Millard, were working in perfect concert, forcing Montana that poshed the lead to 20-3.

Holt, who had to cover Rice in three games when his Alcorn State fore the game if I could cover Rice. He knew better than to ask me that." He said that Burns had im-plored the defensive linemen to rush Montana, that they "had to pressure Joe Montana, because without Joe Montana, there is no Jerry Rice.

Montana because, for the first time in

Jeff Fuller's 48-yard interception return, on Wilson's only big mistake single coverage. And Chuck Nelson of the game, got the 49ers to 20-10 kicked five field goals, another early in the third quarter. But Car-FL postseason record. ter's 31-yard end-around tign led to The 49ers, 13-3 this season, had Wilson's five-yard touchdown pass been 5-0 m home playoff games to Hassan Jones and a 27-10 lead. since Bill Walsh became their coach, After Young's seven-yard touchand had won their previous three down run got the 49ers back again mes by an aggregate score of 124- to 10, with four minutes still left in

touchdown. Young ran for one And all DeBartolo's bonuses, touchdown and threw for another, which had resulted in a \$50,000 fine but it was too little and far too late. from the NFL, could not help now.



Under and Over. Pretty soon, there wasn't even a Then Up and Out

Earnest Byner, top, who carried the ball 23 times, gained 122 yards and scored twice, went under the flying tackle of the Colts' Freddie Robinson to get the Browns' first touchdown in an American Conférence playoff game. But Brent Jones, right, was sent sailing through the air by the Vikings' John Harris, and he and his highly favored 49er teammates were brought crashing to earth in a muddy National Conference game in San Fran-7. But against the 10-7 Vikings they could never even get the lead. Walsh enough time, But the Vikings had even benched the league's leading the ball. And Carter's 40-yard receptionser, Joe Montana, in favor of the find on an underthrown pass soon straight surprise the wild-card Vikings had pulled off in the games Young in the third quarter, led to a 40-yard field goal by Netable Vikings had grupped one son which made it 30-17 with a



Green Runs for 52 Yards On Punt to 21-17 Victory

The Associated Press

ing touchdown Sunday as the Washington Redskins rallied from a 14point deficit early in the National Football League playoff game and upset the Chicago Bears, 21-17, to reach the National Conference title game for the second straight year.

lost by 17-0 to the New York Giants in the gales of Giants Stadium, the Redskins will play for a trip to this Super Bowl at home against the wild-card Minnesota Vikings, who upset the San Francisco 49ers on Saturday. The Redskins beat Minnesota, 27-24, in overtime at Minneapolis three weeks ago.

ties," said Mike Ditka, the Chicago coach. "It's tough. We had oppor-tunities, but we couldn't do what we had to do. To have it taken out of our backyard two years in a row, that's tough."

With Walter Payton, playing in what would become his final NFL game, regaining the form that had made him the league's career rushing leader, and with the defense looking like the one that led to a Super Bowl victory two years ago, the Bears took a 14-0 lead in the first 22 minutes of a game being played in weather that dipped to 4 degrees Fahrenheit (minus 16 centigrade) with a minus-21 wind chill factor.

Calvin Thomas ran two yards for 10 carries on the second drive.

CHICAGO - Darrell Green ran ceptions, while holding Payton to back a punt 52 yards for the decid- 23 yards the rest of the game.

But unlike last season, when they

"We had numerous opportuni-

It didn't look at the start Sunday like the Redskins, who won the NFC East title with an 11-4 record, would get the chance to repeat last year's 27-13 victory here, which finished the Bears in those playoffs.

one touchdown and Jim McMahon, playing his first game in a month after pulling a hamstring muscle, threw 14 yards to Ron Morris for the other. Payton ran for 62 yards in Then, Washington's defense

Browns Halt Dickerson, Rout Colts to Gain AFC Title Game

By Gerald Eskenazi New York Times Service

prised by the turn of events than the and one real obstacle Saturday when they A9ers, who suddenly couldn't pass, beat the Indianapolis Colts, 38-21, in an couldn't run, couldn't play defense. American Conference semifinal of the Na-

With that, the Browns moved to the nance offensively or the defense's conference title game against the winner of hold Rice to three receptions for 28 But only five weeks ago, they were held to wincing. Rice, the NFCs player of 9-7. And the last time the Browns were in a the first quarter. So Byner carried 23 times, the view of the control of the year, had caught 22 touchdown playoff game, last year in the conference gaining 122 yards, averaging 5.3 a carry and its was Frank Minnifield's interceppasses this season, had caught at championship against the Broncos, they and scoring twice.

Ion and 48-yard touchdown return that least one in 13 consecutive games. In saw a Super Bowl appearance slip away as this game he caught zero.

John Elway directed a 98-yard drive to tie goat, fumbling on the Colts' four-yard line.

Early or late, it was usually Carter the score and send the game into overtime.

Late in the game. The Brown's coach, Marty first-half touchdown, and the teams went late in the game. The Brown's coach, Marty

making the big plays. Adding a 31yard end-reverse and 20 yards in
playing returns to his receiving yards, things in the cold at that reached near-zero
playing the big plays. Adding a 31yard end-reverse and 20 yards in
playing returns to his receiving yards, things in the cold at that reached near-zero
playing returns to his receiving yards, things in the cold at that reached near-zero
playing returns to his receiving yards, things in the cold at that reached near-zero
playing returns to his receiving yards, the wind-chill factor. "The weather conditions," Kosar said cheerfully, "were excelyour tell for the store receptions tions," Kosar said cheerfully, "were excelyour tell for the store receptions tions," Kosar said cheerfully, "were excelyour tell for the store receptions tions," Kosar said cheerfully, "were excelyour tell for the store receptions tions," Kosar said cheerfully, "were excelyour tell for the store receptions tions," Kosar said cheerfully, "were excelyour tell for the store receptions tions," Kosar said cheerfully, "were excelyour tell for the store for the store of the st

also kept drives going with pinpoint passing carries —although he did catch seven passes, as the Browns got a first down 11 of the 14 one for his first receiving touchdown since times they had third down. And because he his rookie season —and left the game in the sideline routes, it made his passes nearly wrist after catching the seventh passimpossible to defend against. As usual, Ko-Because the Browns' defense was comnected 20 of 31 times for 229 yards.

CLEVELAND — The Cleveland times they had third down. And because he his rookie season — and left the game in the Browns disposed of three-bad memories was able to throw the ball precisely on final minutes when he fell and sprained his

sar kept the defense guessing, completing mitted to halting Dickerson, it was vulnerpasses to nine different receivers as he con- able elsewhere, especially to medium- to long-range passes. And Jack Trudeau, the Cleveland's Earnest Byner was the run-second-year quarterback making his first

on-the Vikings' second offensive lent for this time of year."

most dangerous runner. Dickerson was fans had hardly stopped when it picked up ed from a turnover midway through the ball forward after rushing for 25 yards, series set up Wilson's seven-yard

He threw for three touchdowns, but he stopped. He gained only 50 yards on 15 again, on the Colts' first play from scrim-third quarter, when the Colts were deep in Fontenot picked it up at the Colts' six.

mage. Dickerson had been halted two yards the Browns' territory and threatening to behind the line by the nose tackle Dave take the lead. Trudeau, under pressure from Puzzuoli, But Trudeau and his teammates Eddie Johnson, was intercepted by Felix recovered from that minor embarrassment and responded with a 74-yard drive. Trudeau, benefiting from good protection, completed two third-down passes before throw-timing on sideline passes. He drilled an 18-

next possession, but Kosar was intercepted and a 9-yarder to Herman Fontenot. Final-Kosar spotted Reggie Langhorne deep over the middle. Langhorne snared the pass on the five, fell and rolled to the two, then got the Brown's "striking capability is remark-Albert Bentley returning the kickoff 38 A few minutes later it became a 10-point yards to the Colts' 41 and Dickerson taking lead on Matt Bahr's 22-yard field goal. Then

carries, then went out with a stomach virus. ended when Kosar found Brennan in the So the Browns, who like to run and pass end zone for a two-yard pass. En route, they equally, went to the pass. And, they benefited to a 41-yard gain after Byner fumbled the d from a turnover midway through the ball forward after rushing for 25 yards, and

Wright on the Browns' 14-yard line. The Browns turned that into a touch-

down drive on which Kosar had exquisite ng to Pat Reach for a two-yard touchdown. yarder to Ozzie Newsome, a 13-yarder to The Browns threatened to score on their Brian Brennan, a 16-yarder to Newsome

up to complete a 39-yard scoring play. But able. For them to go 85 yards down the field the Colts responded in 69 seconds, with and score on you, well, that's discouraging."

In their opening drive, the Browns were 2 pass from Trudeau for a 19-yard score. the Browns took over for good. They held Mack, having gained 38 yards on only six the Colts and set off on another drive that

And Doug Williams, who won the quarterback job from Jay Schroeder, suddenly brought the Redskins back, hitting Ricky Sanders for 32 yards on a drive that ended with George Rogers' three-yard touch-Clint Didier for an 18-yard touchdown in the final minute before halftime that tied the score at 14-all.

"I think the key was the offensive line," Williams said. "They made up their mind to give me time." Green, the Pro Bowl cornerback

given kick return duty expressly for the playoffs, gave the Redskins the lead for good 3:40 into the third period. Taking Tommy Barn-hardt's punt at his 48, he raced down the right sideline, leaped over Cap Boso, then cut across the field.

The best the Bears could do after that was Kevin Butler's 25-yard field goal with 4:47 left in the third quarter. Chicago's last threat was ended by Barry Wilburn's interception in the end zone on a pass McMahon threw from the 14-yard line with 9:20 left in the game.

As it has so often, the Chicago defense created the first touchdown of the game.

The Redskins began their second essession at the Bears' 45. On the first play, Williams was sacked by Richard Dent and fumbled, the ball bounding to the Redskins' 30, where Steve McMichael recovered. Five running plays later, Thomas scored for a 7-0 lead with 6:23 left in the quarter.

The defense rose up again on the next series, when the Redskins drove to the Bears' 32. But Mike Singletary stopped Rogers cold on fourth-and-one, and the Bears took over. They faced an almost identical situation a few minutes later fourth-and-two at the Washington 31. But the Bears converted, with McMahon hitting Boso, the backup tight end, for six yards to the 25. That kept alive what turned out to be a 68-yard, 14-play drive ending with McMahon's touchdown pass to Morris, who beat Wilburn on a slant pattern to make it 14-0.

The Redskins closed to 14-7 just 3:15 later, when Rogers scored, capping a 72-yard, seven-play drive on which rookie Timmy Smith ran three times for 48 yards. The key play was Williams's 32-yard pass to Sanders on a third-and-nine play that put the ball at the Chicago 26.

Dennis Gentry returned the 46, just getting shoved out of bounds on what appeared at first to be a 94-yard kickoff return. But after the Bears moved to the 24, Mann sacked McMahon for a fivevard loss, then threw Payton down at the 31. That led to a 48-yard field goal try by Butler that fell far short.

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Washington then drove 69 yards in seven plays, tying the score at 14 with 51 seconds left in the half on Williams' TD pass to Didier. The drive was helped by a 15-yard penalty for a late hit by Maurice Douglass following Williams's 13-yard pass to Sanders at the start of the drive.

SCOREBOARD

Basketball

18 14 .563 71/2 11 19 .367 131/2 8 22 .267 161/2 5 23 .179 181/2 EASTERN CONFERENCE L.A. Cilapers 8 22 287 16/2 Golden State 5 23 .179 18/3 Golden State 5 23 .179 18/3 FRIDAY'S RESULTS Weshington 24 22 715—169 Berton 34 28 38 33—725 Blird 14-29 7-9 35. McHaie 13-17 5-7 31; JMsione 11-19 9-12 31, M.Maione 11-17 2-2 24. Rebeneghs: Washington 47 (A. Maione 13): Boston 48 (Bits 71). Assists: Washington 21 (J. Maione. Colter 51: Baston 30 (D.Jehnson 19). Mew Yerk 35 28 15 33—111 Mew Yerk 22 25 40—118

National Basketball Association Standings

Selected U.S. College Results

EAST. Mingero W. Mone 27
Mingero Min New Mexico 80, Air Force 67

Dertmouth 46, Harverd 59 Delaware 89, Cent. Connecticut St. Draxel 87, Cornell 83 Poirfield 53. Yole 49 5 Folkleigh Dickinson 87, Rider 78 Folkligh Dickmann 27, 20067, 76 Horrison &S, New Homesbire 39 Lofsystie 75, Brown 74 Lighten 81, Buckneti 76 Pittsburgh 81, St. John's 70 Princeton && Fordhom 59

\$1. Peter's \$1, iong 76, 20T Syrocuse 84. Seton Holl \$2 #Tempte 79, George Washington un 46. Roston College 54 Villanova 44. Boston College 54 Weşt Virginia 75. Duquesne 45 SOUTH Alabama 5t. 77. Proirie View 85 American U. 86, William & Mary 72 Aubern 53, Kenlucky 52, Dovidson 85, Chadel 88 Duke 77, Virginia 59
Floride 81, Georgia 70
Floride 51, 32, Louisville 76
Forman 81, Appellachten 51, 71
George Maston 77, East Corolina 63
LSU 69, Mississippi 61, 07
Marrivant 89, Maritheos SI, 47
Marrivand 68, Cleman 53
Missini, Flo. 42, Windrag 41
Missinia 18, M. All-home 55 - Duke 77, Virginio 59

New Oricons 77, SW Texas St. 44 North Carolina %. Lar Salte 82 Old Deminion 78, Jacksonville 77 Richmond 78, Norty 63 S. Carolina St. 71, Morgan St. 45 S. Mississippi 84, South Carolina 69 Zentresses, 80, Vonderbill 72 Vot. Commonwealth 84, South Florida Vo. Commonwealth & South Florida & Virginia Tech B2, Memphis St. 80, OT W. Kentucky S3, Alc.-Birmingham 50 Airon 20, Youngslown St. 6T Brodley 26, Wichito St. 79 Botler 84, N. Illinois 73 Cent. Michigan 72, Toledo 60 Droke 99, S. Illinois 86 E. Hillnois 75, St. Louis 68 E. Michigan Bl. Bowling Green 66 Illinois 77, Michigan St. 62 Indiana St. 76, Missouri Val. 54 Jowe St. 14, Dayton 80 _____ Konses 78, Missouri 74 Kent St. 78, W. Michigan 70 Miami, Ohio 16, Ball SJ. 55

Wisconsin 64 Ohio St. 63... SOUTHWEST Arkoneas %, Texas Christian 53 Houston 72, Texas Tech 67 Oklahoma 188, Oklahoma SI, 80 Southern Meth. 97. Baylor 93, 30T Texos-El Poso 71, Air Force 45 FAR WEST FAR WES Arizona 98, Stantona 45 Arizona 51, 82, California Boise St. 76, Montana 61

Atlchigon 103, Alignesoig 73

Brigham Young \$2. San Diesa St. 65 Colorada 83. San Diesa 72 Idaha 72. Nevada-Rena 63 Mentions 23, Nevotos-read as Mentions St. 81, Weber St. 77 Nev-Los Vesos 103, Cal-Irvine 48 New Mexico 25, Wyomins 72 Ocesoo St. 20, Southern Cal 77, OT

Cleveland 24 24 29 29—17
Alfiantie 25 26 27 23—161
Wilkins 14-29 6-8 34. Levingston 8-16 0-0 16;
Hubbord 7-12 3-4 17, Dougherty 7-14 1-4 15, Rebeands: Cleveland 53 (Dougherty 13); Atlanta
55 (Lavingston 11). Assists: Cleveland 22
(Dougherty, Price 4); Alfanta 28 (Wilkins 8).
L.A. Lakers
27 18 41 28—184
Dermit

LA. Lakers 27 18 41 29—186
Detroit 30 26 24 24—184
Scott 11-18 13-14 35. E.Johnson 9-17 3-3 21;
Demtley 7-13 11-12 25. Dumors 11-24 3-4 25,
V.Johnson 8-14 2-2 19. Rebeards: L.A. Lakers
50 (Worfhy 8); Detroit 49 (Mohorn, Loimbeer
11), Assiste: L.A. Lakers 20 (E.Johnson 9);
Detroit 20 (Thomas 10).
Utoh 28 21 31 31—111
Ailwankee 22 29 28 26—187
Mations 10-20 9-13 29, Trisucko 8-14 8-8 25;
Sikma 9-13, 6-7 24, Hodges 7-13 1-1 19. Re-Sikma 9-13.67 24. Hodges 7-13 7-1 19. Re-bounds: Utch 42 (Molone 11); Althruckee 46 (Cumminos 9). Assists: Utch 30 (Stoc.ton 18); Althruckee 29 (Lucas 13). 14 15 **22 28—9**7 Secrements 16 15 22 28-47
Portland 22 28 27 24-48
Orexier 13-24 8-8 35, Porter 5-10 6-7 16:
McGee 18-21 3-4 27, Thorne 6-13 12-12 24, Rebounds: Socramento 55 (Thorne 14); Portland 62 (Kersay 10), Assists; Socramento 22 (K.Smith 7); Portland 21 (Porter 9).

SATURDAY'S RESULTS

McHole B-15 18-12 24. Portish 10-13 2-3 22. Re-bounds: Boston-52 (Bird. McHole, Portish 9); New York 40 (Ewing 12). Assists: Boston 26

Atlanta 51 (Koncok 12). Assists; Denver 21 L.A. Lakers 21 27 25 28—101 Indiana 28 34 24 22— 98 Indians 22 34 24 22 98
Worthy 19-17 1-121, Johnson 6-139-1021, Scott
7-115-6 20; Stiponovich 12-162-224, Figming 1918-5-6 28. Rebounds: Lokert 54 (Green 12);
Indiana 46 (Williams 9), Assists: Lakers 22

Houston 26 27 27 22—104 Otojuwon 13-19 7-8 33, Short 7-20 4-4 18; Nence 11-22 3-3 25, Davis 12-24 0-6 24, Re-bounds; Pheenix 56 (Edwards 10); Houston 53 (Olajuwon 16), Assists; Pheenix 24 (Humahries 9); Houston 17 (Floyd 8). Uton 32 22 19 T8— 9) Jordon 17-23 11-14 45, Sellers 5-10 2-2 12 Spor row 49-4-12; Malbone 9-187-725, Balley 8-192-2 18. Rebounds: Utoh 37 (Molone 8): Chicago 47 (Oakley 15). Assists: Utoh 27 (Slockton 9); Chicago 30 (Jordon 8).

Seattle 26 34 37 42-10. Eille 18-31 9-10 47. Chambers 12-21 7-7 32;

Robertson 13-24 10-11 37, Dawkins 7-17 5-5 19, Rebounds; San Antonio 52 (Anderson 13); Se-ottle 60 (Chambers 11), Assists; San Antonio

World Cup Skiing

(A) Val d'Isere, France)
1. Markus Wasmeler, West Germany, 1

Piccord, 1:57.79. Michael Moir, Holy, 1:5787. Christophe Ple, France, 1:57,91. Stock and William Besse, Switze

Tombo, 136 points. Zurbriggen, 131. Mader, 57. Hubert Streiz, Austria, and Maver, 47. Girardelli, 41. Rudolf Merlich, Austria, 40: 7. Kudok sjerika, Avolika 👊 8. Majr, 37. 9. Ingemer Slemmark, Sweden, and Richard Promation, Italy, and Rob Bayd, Canada, 34. WOMEN'S SUPER-GIANT SLALOM

(Al Lech Am Aribers, Austria) 1. Zee Haos, Switzerland, 1:15.55. 2. Catherine Quillet, France, 1:15.75. Catherine Quillet, France. 1:1575.
 Michaela Figini. Switzerland. 1:15.79.
 Michaela Gerg, West Germany. 1:16.16.
 Blanca Fernandez-Ochoo, Speln 1:16.18.
 Ulrifee Maler, Austria, 1:16.17.
 Regime Mosenischner, West Germany. 8. Brigitte Oertii, Switzerland, 7:76.49,

WOMEN'S OVERALL STANDINGS 1 Maria Walliser, Switzerland, and Anita

Tennis

NEW SOUTH WALES CHAMPIONSHIP (At Sydnay) Men's Signles Fingl ev. Soviet Union, 4-3, 6-4.

Hockey

NHL Standings

WALES CONFERENCE
Patrick Division
W L T Pts GF GA
phila 20 16 6 46 143 149
100 20 17 5 45 143 127
nders 20 16 4 44 159 141
nders 20 16 4 44 159 141 R.Y. Issaders

Calgary

Hunter (4), Peplinski (14), MacInnis (14),
Huil 2 (17), Orto (5), Loob (23); LoFontoine
(28), Kenrayd (1), Diduck (3), Makelo (21),
Sets on goal: NYI (on Vernan) 11-12-12-35;
Cal (on Smith) 13-14-11-38.

SATURDAY'S RESULTS
Pittsburgh | Minnesota | 13 22 7 32 142 177 | Cort Liut | 9-5-9-0-22; Hor (on Riggin, Melorice) | 12-10-15-1-38. | Cort Cort | 28 12 4 56 207 153 | Vancouver | 8 1 2-2 | Vancouver | 8 1 2-3 | Vancouver | 9 1 2 Toreste (1), Susting 16-11-10-37.

Alty. Rangers 1 2-4
Woostleysten 2 2 3-8
Gookd 2 (5), Murchy (6), Adoms (9), Corrived (1), Gustafsson (13), Sundstram (4),
Laughtin (5); Poddubry (26), DeBlois (7),
Kisse (14), Dehlin (12), Shots on gent; NYR
(on Molerchuk) 12-11-11-34; Was (on Venblesbrouck) 11-6-8-26.

Les Angeles 1 1 1-3
Defroit 0 14-5
Defroit 0

European Soccer

Come 1, Verong 1 Empoll 0, Aveiling 0 Internazionale 2, Ceseno 6 Juventus 8, AC Milan 1 Nobell 4 Figranting 0 Roma I, Torino I Polats: Napoli 23; Milen, Sampderio 20; Roma 18; Inter 15; Juventus, Varona 14; As-coll, Cesena 13; Torino, Florentino, Pescara

Atletice Modrid 2, Valencia 1 Real Sociedad 1, Valiadella 1 Cadiz 8, Athletic Bilbon 0 Betts 1, Zerogara 0 Logranes 1, Los Palmos 1 Cella 1, Ososuno 0 Sabodeli 2, Espanol 2 Majorco 1, Seville 0

Grohom (8), Thomas 3 (4), Savard (24), Valve 2 (29); McKenno (4), Leenan (16), Second (11), Shets on goal: Tar (an Puna) 7-17-15-39; Chi (on Wrespet, Besier) 11-12-17-40. Edimenton 1 2 8 0-4 Winnipes 2 1 6 0-4 Winnipes 2 1 6 0-4 Wessler (25), Krusheinyski (2), Kurri (22), Honnan (7); McBoin (16), MocLean (18), Eleit (6), Toglianetti (3), Shets an goal: Edm (on Berthiaume) 8-12-10-1--31; Win (on Fuhr) 11-7-4-31. N.Y. Islanders 1 7 2-4

ITALIAN FIRST DIVISION Points: Real Madrid 28; Real Sociedad, At-

letica Madrid 25: Athletic Bilboa, Valladolid 71: Cetta. Cadiz, Giton 18: Zaragaza, Scosuna, Barcelona, Sevilla 17: Majarca 16: Betis. Vo-lancia. Español 14: Murcia 11: Lagranes, Las

National League HOUSTON—Signed Larry Anderson, Dan-

7 No. 1 Kentucky Is Beaten By Unlikely Auburn Hero

Compiled by Our Staff From Disputches LEXINGTON, Kentucky - An improbable hero emerged to help Auburn get an improbable victory Saturday night, when John Cay-lor's three-point shot with 10 sec-1 1 2-4 onds left in the game upset previously unbeaten and top-ranked Kentucky, 53-52.

Caylor, a 6-foot-7-inch (2-meter) sophomore, got to start the game only because frontline stars Jeff Moore and Mike Jones were absent. But he worked free and scored the winning basket from 20 feet away, on his only attempt from three-point range in the game. "It was a do or die situation," he said. "There was no more time left

on the clock and it came to me and I just put it up. "When the shot whet up, I had no idea it would go in. It was one of the greatest feelings anybody could ever feel. When I saw it rolling around I

onds to go, but it bounced off the rim and the Wildcats could not get the rebound. Chapman had go to so the rebound.

da, then ranked 15th, by 72-67 on ing their opponents into 24. Wednesday. This victory made Temple 79, George Washington second time that Auburn had won their best start in nine years.

in 37 games in Lexington. bent this time but we didn't break. It Seton Hall.

vas one of our greatest victories."

Michigan 103, Minnesota 71: In
Ann Arbor, Michigan, Glen Rice was one of our greatest victories."

COLLEGE BASKETBALL

slowed the pace of the game down and it made them take time to look for a shot," Smith said. "We couldn't throw it in the ocean and they couldn't throw it the ocean, and we just floated to shore first." Chris Morris led the Tigers with 18 points, and Derrick Dennison got

15. Kentucky was led by Winston Bennett's 20, while Chapman got 15. New Mexico 85, Wyoming 72: In Albuquerque, New Mexico, in an-other upset, Charlie Thomas's game-high 27 points and 13 rebounds helped beat the No. 5 Cowboys. The unranked Lobos, who have won 10 straight, had stunned then-No. 1 Arizona, 61-59, the previous Saturday night.

Pittsburgh \$1, St. John's 70: In Pittsburgh, Charles Smith scored 20 points and Jerome Lane got 19 plus 15 rebounds as the No. 2 Panthers,

Reid made his first 11 shots and finished with 30 points as the No. 4 It was the second major upset for Tar Heels won their seventh straight. Arizona 90, Stanford 65: In Tuchand and Jones was declared ineli- son, Arizona, Sean Elliott scored 19 gible because of academic prob- points and the No. 3 Wildcats comlems. The Tigers had beaten Flori-

them 2-0 in the Southeastern Con- 66: In Landover, Maryland, senior ference and 9-2 overall. Kentucky Tim Perry matched his career high fell to 3-1 in the SEC, 10-1 overall. with 24 points and freshman Mark The Wildcats lost for only the Macon scored 16 of his 22 in the 17th time in 12 years at Rupp Are- second half as the No. 6 Owls beat na, where, during that span, they the Colonials for the 11th straight had won 161 games. It was only the time to raise their record to 10-0.

Syracuse 84, Seton Hall 82: In "We have bent so many times Syracuse, New York, Derrick Coleagainst Kentucky and broke," said man's 17 points and 16 rebounds the Tigers' coach, Sonny Smith. "We helped the No. 7 Orange hold off

cent of their shots from the field scored 40 points, getting 19 of the 30 while the Tigers made 37 percent. the No. 11 Wolverines scored in the "The fact that neither team was first 9:35 of the second half as they shooting well helped us, because it won their 12th straight. (UPI, AP)

SATURDAY'S SCORES EAST Friny 165. Binghomion St. 80 Baston U. 92, Vermont 74

de Island 90, St. Joseph's 80 er: Morris 72, St. Francis, Po. 66

Washington 26 77 29 26—188 Kine 8-12 6-6 22, J.Malone 6-11 3-3 15; Woodson 8-16 3-4 15, Cope 4-10 5-8 13, Dolley 6-14 1-4 13, Rebounds: Clippers S4 (Colemon 12); Washington 66 (M.Moloe 6), Assists: Clippers 13 (Wolf 4); Washington 30 (Bogues 6).

uson 10-20 1-1 22. Green 8-11 4-4 20; Wilkins 13-22 7-9 33, Koncok 9-10 7-9 25; En-silsh 11-20 5-6 27, Vincent 11-17 3-5 25, Re-bounds: Denver 48 (Schoyes, Rosmussen 9);

32 36 29 34—132

Geldee State
Aguirre 13-19 6-9 33. Tarpley 5-19 7-7 19;
Sampson 10-20 1-2 21. Frank 5-13 4-5 14. Rebounds: Dollas 64 (Tarpley 19); Golden State
S (L.Smith 9). Assists: Dollas 15 (Harper 8);
Golden State 12 (Garland 3).

MEN'S SUPER-GIANT SLALOM

minute. 27.15 seconds.

2. Franck Piccard, France. 1:27.46.

3. Pirmin Zurbriosen, Switzerland. 1:29.62.

4. Genther Moder, Austria, 1:29.67.

5. Alberto Tombo, Itoly, 1:29.97.

6. Leonerd Stock, Austria, 1:30.55.

7. Helmul Mayer, Austria, 1:30.61.

8. Marc Girardelli, Luxembourg, 1:30.68.

MEN'S DOWNHILL.

(At Yet d'Isere)

1. Zurbriogen, 1:57.67.

2. Anton Steiner, Austria, 1:57.64.

3. Girardell, 1:57.97.

MEN'S OVERALL STANDINGS

Signia Wolf, Austria, and Gerg. 76. 9. Oertli, 74. 10. Maila Svel. Yugoslovia, 89.

Barcelone 1, Gillan 0

Transition

HOUSTON—signed Larry Anserson, Den-my Darwin and Dave Smith, pitchers, and Den-my Walling, infletter, to two-year confracts. Signed Joaquin Andujor, pitcher, to a one-year contract. Extended confract of Mike cett, pitcher, through 1989.
PITTSBURGH—Signed R.J. Reynolds and Bernie Totts, outfielders, to ans-year contracts. SAN FRANCISCO—Signed Atlee Ham-maker, pitcher, to a two-year contract. "Oh yeah. They landed."
"Who?"

"Where'd they land?"

"Someplace in Jersey."

"What happened?" "They didn't like it no more'n

International Herald Tribune

William Kennedy, "Ironweed"

"The Martians."

I did

Dignifying the '38 Martian Invasion

tents were listed and that it was

clearly identified as fiction. But it is also true that Welles was a mis-

chievous man with feeble ratings:

His weekly program was on oppo-

site Edgar Bergen and Charlie

McCarthy, who had a 34.7 audience rating against 3.6 for

The one weak point in Bergen's

program was the introduction of a

guest singer, and Welles must

have supposed that people would

flick the dial at that moment, for

it was then that Ramon Raquel-

lo's dance band was interrupted

by an urgent "announcement"

about extraterrestrial invaders.

Although later studies indicated

that out of an andience of six

million, less than 17 percent pan-

icked, the event has gone down in

history, and with it Grover's Mill,

with its cozy hometown name so reminiscent of Grover's Corners

in Thornton Wilder's play, "Our

Town," which had opened on

Broadway several months earlier.

A serious, high-level 50th anni-

versary celebration will, it is rea-

soned, erase all embarrassment

about having been so massively

gulled. "We're not trying to draw

this memory up, we are reminded

of it every year," says Marcie Ru-

dell. "That's why it was a question

of how do we make this legacy work for us with more dignity

than these news crews who want

to come down and get a good

WOW's plan to elevate atti-

tudes about the Martians' landing

is grist to everyone's mill - prop-

erry prices will hardly suffer and

there is a good deal of building around, including a project called

Grover's Mill estates; students

will get fellowships; West Wind-

around. The men from Mars will

have become a local amenity.
"We're trying to avoid the feel-

ing of small town boosterism,"

Doug Forrester says. "Our inten-

tion is not so much to have other

local angle from an old-timer."

Welles's Mercury Theatre.

By William Safire ing the pond, WOW hopes to get WASHINGTON — When Mikhail Gorbachev brushed off charges of human-rights violations in the Soviet Union with the question. What about the local corporations to endow a scholarship in communications in order to perpetuate Grover's wetbacks. Americans cringed - not at the crude Mill's awkward fame in a useful attempt of moral equivalency, but at the use of a term and dignified manner. now regarded as a slur. A wetback - from the condi-Welles always denied that he had deliberately caused panic and it is true that the program's con-

unegat anen, and when that became onerous, the name was changed to undocumented person, now applied to derelicts; acid-washed for what wearers of jeans used to persons of any nationality who enter the country call faded, and private person for the fellow who used to without a visa

That brings to mind the subject of ostentatiously in the avoidance through language of harsh reality.

much gentler.) In olden times, limb was substituted for state prosecutor. He rose to the occasion: "What are leg to avoid offense, which seems silly, but cuphernism you worrying about? Executions have been abolished. had its fair uses: love child made life less barsh for But he is not being executed; he is being shot." bastards, and handicapped was used when crippled stung. Now-impaired is the combining form to describe handicaps, which denotes less of a handicap than disabled. (An Atlanta business association uses differently obled, but that strikes me as a too-kind location that pretends no handicap exists.) When euphemism lessens pain and does not deny truth, use

But when euphemism conceals reality from people who ought to be able to take their vocabulary plain, it should be exposed.

Local prostitutes is a phrase that is clear and direct, but is never used by the United States government. In the welcoming packet issued to our embassy employees in Budapest, there is this phrase: "It must be assumed that available casual indigenous female com-panions work for or cooperate with the Hungarian government security establishment."

And when names are changed for commercial purposes, let the buyer beware: the Department of Agriculture last year soothed beefing meat producers by replacing the word good in its categories of fat content. Prime has the highest percentage of fat, or marbling, followed by choice, and now by select, which used to be good. Butchers disliked good; they feel that select is more appetizing. In that regard, let us recoil in unison from tube steaks, the misleading new name for frankfurters. (Is wurst closer to bad than good!)

And what about those broadcasters who refer to commercial spots as announcements? That's a sneaky way to hide a word from our sponsor. Almost as bad as family counselors describing a simple spanking as an intensive adversive intervention.

BIG guys who use namby-pamby terms look especially ridiculous. Complaining that his team was being torn apart in the recent football players' strike by a false issue of free agency, Pat Bowlen, owner of the Denver Broncos, said. "That doesn't mean a tinker's

darn to three-quarters of the players."
Should he have euphemized tinker's dam? Great controversy exists about the small word in this phrase, and whether it should be spelled with an n at the end. Some say a dam is a tiny pellet of bread used by a tinker, or mender of pots, to keep patching solder from running through the holes in pans being mended.

A Tinker's Darn for Euphemisms When the patch was completed, the dam would be thrown away, and became known as something with out value. Other etymologists hold that tinkers were a blasphemous lot, given to heavy cursing; hence daming from the Latin damnare, "to condemn or doon." Whichever of the theories you embrace, never subsi-

Burt Tel tute darn for dam or damn. National Lampoon magazine has issued a list of enter the United States — later become known as an illegal alien, and when that became onerous, the name illegal alien, and when that became onerous, the name

One of the most callous euphemisms of modern That brings to mind the subject of ostentationsity one of the most canons capacitation of garden kind words, and the subtle change that is taking place times was recorded by Alexander I. Solzhenitsyn in his in the avoidance through language of harsh reality.

"Gulag Archipelago." In 1918, a Soviet admiral was: The age-old art of emphemism is being violated sentenced to be shot; however, the death penalty had (Raped is the word I had in mind, but violated seems so just been officially abolished, posing a problem for the

> I WAS watching Wheel of Fortune," writes Dorothy Epstein of Brick Township, New Jersey, adding the defiant parenthesis: "(Yes, I waith word game shows.)" And in one show, she said, "they used the phrase plans are under way. Shouldn't it have been

This is an etymological mistake that has celebrated its 200th anniversary. "We are all in high spirits," wrote the British dramatist Richard Cumberland in 1785, "getting under weigh." Richard Henry Dana; the American author of "Two Years Before the Mass." picked up the common error and wrote in that classic in 1840: "She got under weigh with very little first." With that kind of hoary provenance, a word or phrase usually gains "correctness," based on the First Principle of Descriptive Linguistics: "If it sticks

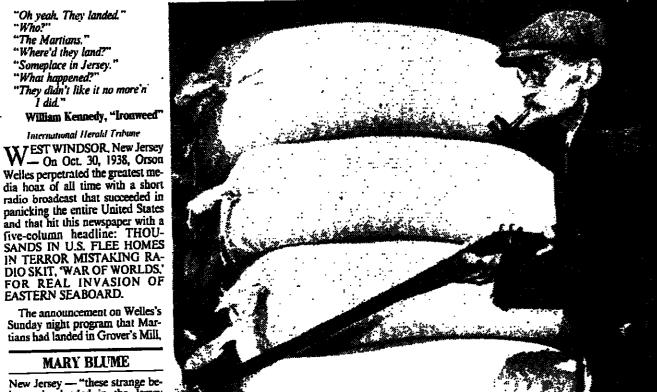
around, it's right." But it is incorrect, which means it is still viewed as a "variant" spelling by most lexicographers. The nanti-cal term under way, spelled that way, meaning having begun to move through the water," was first recorded in 1743 in England, and was used that way by Washington Irving in America four years before Dana

botched it here. The confusion is with weigh anchor, "to pull up an anchor before sailing," as in the song "Anchors Aweigh"; however, as Admiral William Henry Sayth pointed out in his "Sailor's Word-Book" in 1862. Some have written this under weigh, but improperly. A ship is under weigh when she has weighed her anchor. . . As soon as she gathers way she is waite way." Other salts hold that a ship is under way as soon. as she is not at anchor, aground or made fast to a

mooring, and does not have to be making way to be under way. I don't want to get into that scrap.

The sinking feeling experienced by Epstein about spelling is widely shared, even by those who do not get defensive about watching game shows, but is dismissed as "folk etymology" by us folks in the language dodge. Our problem is the warrises of the sun game. dodge. Our problem is the marriage of the two words in the phrase: The Washington Post spells it underway, The New York Times under way; you pays yes money and you takes yet choice. (And does anybody have the origin of that?)

New York Times Service



William Dock, 76, of Grover's Mill, who believed the "War of the Worlds" broadcast in 1938.

MARY BLUME

EASTERN SEABOARD.

New Jersey — "these strange beings who landed in the Jersey farmlands tonight are the vanguard of an invading army from the planet Mars" - caused people to fall in the streets and pray in Atlanta, New Yorkers to flee for the safety of the Adirondacks. and many lawsuits to be filed for millions of dollars against Welles and CBS (none came to trial because there were no precedents).

The panic was greatest in New Jersey, with rumors of deaths, bombings and a call from a housewife to the police, "Shall I close my windows?" In Grover's Mill, where the Martians had supposedly landed, several residents took potshots at a metal water tower that looked extraterrestial in the fee. At the 49th anniversary commemoration of the event last October at Grover's Mill, John Genz, 80, a retired state trooper, recalled a resident sitting on his from porch with a rifle across his knees and saying he "would get

them before they get me."

The broadcast led to the first important research on group panic, stronger federal supervision of broadcasting, and to praise for Welles from the journalist Dorothy Thompson for showing how easy, on the eve of war, it was to manipulate the public as the Na-

zis had done. Welles, professing surprise, said he had worried that people might find the program dull, and went off to Hollywood to make "Citizen Kane."

And what ever happened to Grover's Mill, the scene of the invasion which the scriptwriter Howard Koch, who later won an Oscar for "Casablanca," had chosen by sticking a pin in a map and which he had never visited? The buckshot-peppered water tower still stands and is visited by tourists each October - one bus load even came from Ecuador - but otherwise this hamlet in the wetlands of central New Jersey conand a pond that used to provide

water for the mill. There is scarcely a sign that you are in Grover's Mill once you have found it. It has been swallowed by West Windsor, a burgeoning bedroom community that houses the work force employed by the many businesses that have grown up in the area.

West Windsor sprawls over 26 square miles, its chief feature an important Amtrak train station. Its population has grown from 8,000 to 12,000 in five years. An earnest and upwardly mobile community like that doesn't want to be known as the place where the Martians landed.

"It's embarrassing and if it's hyped its going to embarrass them more, says Marcie Rudell, a New York PR woman who has been hired to help celebrate the 50th anniversary of the landing next October in a seemly manner. "New people are moving in and corporation leaders and children sists mostly of a lawnmower store are being teased each year about where were you the night the Martians landed. It's sort of tacky, we want to make it all more

> The force behind putting a new face on Welles's Martians is Douglas Forrester, president of War of the Worlds (WOW) and mayor of West Windsor in 1981-82. Forrester is planning a 50th

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anniversary celebration that will create a sense of community in his town. "As mayor I received a lot of comments from different sources about the lack of cohesiveness, the dismay that there isn't any town center." he said.

"I think a sense of community is generated when opportunities are given for people to come to-gether. Princeton has its P-rade [alumni marching in funny costumes] down Nassau Street, Hamilton Township has a St. Patrick's Day and an Octoberfest, Trenton has a Feast of Lights and a Heritage Day parade. Accordingly, last Oct. 30, local

citizens and a cluster of schoolchildren dressed as green Martians with tin-foil antenna gathered to hear Howard Koch sor will have a center to cluster describe how he chose Grover's Mill as his setting and to learn that the township had taken over Grover's Mill pond, 37 weedchoked acres, to renovate for recreational purposes. It was the first step toward the 50th anniversary celebration. Along with refurbish-

people know who we are but to know who we are ourselves." CLASSIFIED INTERNATIONAL

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